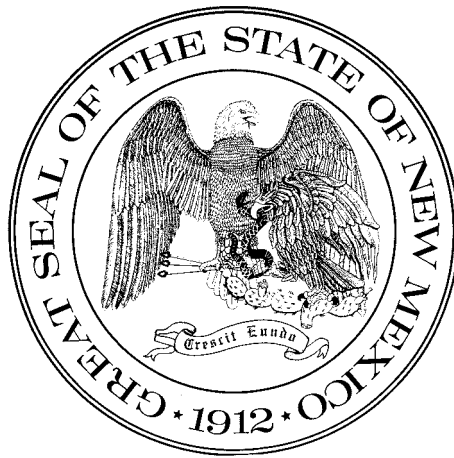


**NEW MEXICO  
FINANCE AUTHORITY  
OVERSIGHT COMMITTEE**

**FINAL REPORT**



**REPORT TO THE  
FORTY-SEVENTH LEGISLATURE  
SECOND SESSION**

New Mexico Legislative Council Service  
Santa Fe, New Mexico  
December 2005

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**2005 APPROVED**  
**WORK PLAN AND MEETING SCHEDULE**  
**for the**  
**NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**Membership**

Rep. Daniel P. Silva, Chair  
Sen. Mary Kay Papen, Vice Chair  
Sen. Joseph J. Carraro  
Rep. Daniel R. Foley  
Sen. Clinton D. Harden, Jr.  
Rep. Dona G. Irwin  
Rep. Patricia A. Lundstrom  
Rep. Jane E. Powdrell-Culbert

Sen. Lidio G. Rainaldi  
Sen. Shannon Robinson  
Sen. Nancy Rodriguez  
Rep. Henry Kiki Saavedra  
Sen. H. Diane Snyder  
Rep. Don L. Tripp  
Rep. Richard D. Vigil

**Advisory Members**

Sen. Ben D. Altamirano  
Sen. Vernon D. Asbill  
Rep. Jose A. Campos  
Sen. Pete Campos  
Rep. Ernest H. Chavez  
Sen. Kent L. Cravens  
Rep. Anna M. Crook  
Sen. Dianna J. Duran  
Sen. Joseph A. Fidel  
Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia

Rep. Roberto "Bobby" J. Gonzales  
Sen. Stuart Ingle  
Rep. Ben Lujan  
Sen. Richard C. Martinez  
Sen. Steven P. Neville  
Sen. Leonard Lee Rawson  
Rep. Harriet I. Ruiz  
Rep. Edward C. Sandoval  
Rep. Sheryl Williams Stapleton  
Rep. Joe M Stell  
Rep. Luciano "Lucky" Varela

**Work Plan**

The New Mexico finance authority (NMFA) oversight committee was created with the enactment of the New Mexico Finance Authority Act, Sections 6-21-1 through 6-21-31 NMSA 1978, to oversee the operations of the finance authority. In addition, the legislature assigned oversight of the border authority and implementation of the Border Development Act, Sections 58-27-1 through 58-27-26 NMSA 1978, to the committee.

The committee is statutorily required to monitor and oversee the operations of the two authorities; monitor and oversee state and local government capital planning and financing; provide advice and assistance to the authorities and cooperate with state and local governments on planning and setting priorities for and financing of state, local, border and port-of-entry capital projects; review and approve rules proposed by the authorities; and report its recommendations and legislation to the governor and legislature on or before December 15 of each year.

To carry out these tasks and statutory duties during the 2005 legislative interim, the NMFA oversight committee shall:

- (1) monitor and oversee the operations of the NMFA, the border authority and the New Mexico exposition center authority;
- (2) review and approve any rules proposed by the authorities;
- (3) take testimony from state and local officials on capital needs;
- (4) receive progress reports on new and ongoing capital projects funded through the NMFA and the New Mexico exposition center authority to ensure that projects are proceeding in a timely manner;
- (5) receive testimony on the various financing mechanisms and programs for funding capital projects through the NMFA, federal programs and the New Mexico exposition center authority;
- (6) examine the organizational structure and vision of the NMFA and border authority;
- (7) assess procedures for prioritizing NMFA-funded projects and make needed recommendations for change;
- (8) hear testimony and make recommendations to the border authority on border development, infrastructure and port-of-entry improvements as well as ways in which the border authority is involved in stimulating the border economy;
- (9) take testimony from the energy, minerals and natural resources department on expenditures of its portion of the governmental gross receipts tax that is distributed to the New Mexico youth conservation corps;
- (10) receive testimony and continue oversight of Governor Richardsons' road improvement projects (GRIP); and
- (11) recommend necessary changes in law or policy to the legislature.

## **APPROVED MEETING SCHEDULE**

<u>Date</u>	<u>Location</u>
June 20	Santa Fe
July 25-26	Raton
August 22-23	Ruidoso
September 26-27	Sunland Park
November 1-2	Santa Fe
November 21-22	Santa Fe

## **Background**

The New Mexico finance authority (NMFA) oversight committee was created in 1992. By statute, the New Mexico legislative council determines the membership of the committee and designates the chair and vice chair. The staff for the committee is provided by the legislative council service. The committee oversees the operation of the NMFA, including providing assistance and advice on the public project financing program of the authority as well as on the financing of state and local capital projects. The committee's charge also includes overseeing and monitoring state and local government capital planning and financing and hearing testimony from state and local officials on state and local capital needs.

In 1995, the NMFA oversight committee took on oversight of the border authority pursuant to Section 58-27-26 NMSA 1978. The committee monitors and provides assistance and advice on the project financing program of the border authority and on border and port of entry capital needs in addition to overseeing the operations of the border authority.

## **Summary of the NMFA Oversight Committee's Work**

As approved by the New Mexico legislative council, the NMFA oversight committee set forth to carry out its statutory duties during the interim. In conjunction with its monitoring and oversight functions, the committee focused on an examination of the funding programs of NMFA and a review of assessing public project needs in the state. To that end, the committee continued to travel out of town for several meetings with the intent of hearing an overview of capital needs in the areas it visited. The committee also approved rules changes made by the NMFA that included changes for the public project revolving fund, the local government planning fund and the "smart" money program, which relates to amendments made to the Statewide Economic Development Finance Act authorizing the NMFA to make, participate in and guarantee loans for economic development projects. In addition, the committee heard testimony on Governor Richardson's road improvement projects (GRIP) from both the NMFA and the department of transportation; a committee director from NCSL also gave testimony on the federal transportation bill, including details of New Mexico's projects in that bill.

The committee received testimony of financing programs of the NMFA and examined the

organizational structure and vision of both the NMFA and the border authority. Also, the committee heard testimony from the energy, minerals and natural resources department on expenditures it makes from the distribution of the governmental gross receipts tax to the New Mexico youth conservation corps. Financing for rural economic development was a topic presented and discussed by the committee. On the border, the committee heard testimony and toured the border area to see infrastructure developments firsthand at the ports of entry. The office of the state engineer also reported to the committee on its developed criteria for water system planning, performance and conservation as its response to House Joint Memorial 86 from last session. As part of this presentation, statutes relating to water and wastewater were discussed along with suggested changes. The committee encouraged the office to continue its work.

### **Legislation Endorsed by NMFA Oversight Committee**

The NMFA oversight committee endorsed the following legislation at its final meeting, either fully or merely in concept:

#### ENDORSED:

- an appropriation request for \$30 million from the general fund to help carry out the provisions of amendments made to the Statewide Economic Development Finance Act that authorizes the NMFA to make, participate in and guarantee loans for economic development projects (designated the "smart money initiative" by the NMFA);
- two authorization bills, one for the "smart money initiative" and the other for public project revolving fund;

#### ENDORSED IN CONCEPT:

- a bill that amends the New Mexico Finance Authority Act to deal with the delayed repeal in the urgent economic development public project section, which sets the repeal at June 30, 2006; to allow the NMFA to participate in public/private

partnerships with subsidiary organizations of qualified entities; and to change the title of "executive director" to "chief executive officer";

- a bill that amends the New Mexico Finance Authority Act to allow the NMFA to be authorized as a community development entity for purposes of being able to participate in the federal new markets tax credit program.



**TENTATIVE AGENDA**  
**for the**  
**FIRST MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**Room 322, State Capitol**  
**Santa Fe**  
**June 20, 2005**

**Monday, June 20**

10:00 a.m.     **Call to Order**

- Representative Daniel P. Silva, Chair
- Senator Mary Kay Papen, Vice Chair

10:10 a.m.     **Legislation Overview from Recent Session**

- NMFA Staff

11:15 a.m.     **Governmental Gross Receipts Tax Review**

- Mark Valenzuela, NMFA

12:00 noon     **Lunch**

1:30 p.m.     **Review and Discussion of Work Plan and Meeting Dates for 2005 Interim**

- Representative Daniel P. Silva, Chair
- Senator Mary Kay Papen, Vice Chair

2:30 p.m.     **Philosophy and Goals of the NMFA**

- Bill Sisneros, Executive Director, NMFA

3:30 p.m.      **Adjournment**

Revised: July 22, 2005

**TENTATIVE AGENDA**  
**for the**  
**SECOND MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY (NMFA) OVERSIGHT COMMITTEE**

**July 25-26, 2005**  
**International Room, International Bank**  
**200 S. Second Street, Raton**

**Monday, July 25**

10:00 a.m.     **Call to Order**

—Representative Daniel P. Silva, Chair  
—Senator Mary Kay Papen, Vice Chair

10:10 a.m.     **Welcome and Review of Capital Projects in Raton and Clayton**

—Joe Apache, Mayor, Raton  
—Mike Running, City Manager, Clayton

10:25 a.m.     **Overview of Capital Needs in Colfax and Surrounding Counties**

—Tom Garcia, Colfax County Manager  
—Charlie Gonzales, Chair, Colfax County Commission  
—Richard Arguello, Chair, Union County Commission  
—LeRoy H. Garcia, Chair, San Miguel County Commission  
—Barbara Shaw, Harding County Manager  
—Emma Duran Buck, Mora County Manager  
—Rosalie Regensberg, Chair, Mora County Commission

- 11:30 a.m.     **Local Economic Development Efforts: Western Outdoor Writers Convention**  
—Mike Ballew, Executive Director, NRA Whittington Center
- 12:00 noon    **Lunch**
- 1:30 p.m.     **NMFA Process of Application and Prioritization for Loans and Grants**  
—Mark Valenzuela, Director, Intergovernmental Relations, NMFA
- 2:30 p.m.     **NMFA-Financed Projects in Surrounding Municipalities and Counties**  
—NMFA Staff
- 3:00 p.m.     **Governmental Gross Receipts Tax Distribution & Capital Market Overview**  
—George Williford, First Southwest Company
- 3:30 p.m.     **NMFA Financial Advisors and Analysts: Nuts and Bolts of a Financial Deal**  
—Jeremy Turner, Finance Director, NMFA
- 5:00 p.m.     **Recess**

**Tuesday, July 26**

- 9:00 a.m.     **NMFA Financing Programs: A Review**  
—Marquita Russel, Chief of Programs, NMFA
- 10:00 a.m.    **GRIP Project Financing Details**  
—Keith Mellor, Chief Financial Officer, NMFA  
—Rhonda Faught, Secretary, Department of Transportation

11:00 a.m.     **Review of Projects Funded Through the Water and Wastewater Grant  
Fund**

—Marquita Russel, Chief of Programs, NMFA

11:45 a.m.     **Committee Business: Review of Work Plan Changes**

—Legislative Council Service Staff

12:00 noon     **Adjournment**

**TENTATIVE AGENDA**  
**for the**  
**THIRD MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY (NMFA) OVERSIGHT COMMITTEE**

**Aztec Room 6, Ruidoso Convention Center**  
**111 Sierra Blanca Drive**  
**August 22-23, 2005**

**Monday, August 22**

10:00 a.m.     **Call to Order**

—Representative Daniel P. Silva, Chair

—Senator Mary Kay Papen, Vice Chair

10:10 a.m.     **Mayor's Welcome (with NMFA board)**

—Leon Eggleston, Mayor of Ruidoso

10:25 a.m.     **Overview of Area Capital Needs**

—Leon Eggleston, Ruidoso

—John Waters, Administrator, Ruidoso Downs

—Michael Nivison, Administrator, Cloudcroft

—Demetrio Montoya, Mayor, Tularosa

—Ray Cordova, Mayor Pro-Tem, Tularosa

—Margie Trujillo, Trustee, Tularosa

—Rick Gutierrez, Project Coordinator, Tularosa

—Tom Stewart, Manager, Lincoln County

—Ruth Hooser, Manager, Otero County (invited)

12:00 noon     **Working Lunch With NMFA Board**

1:30 p.m.      **Rural Economic Development: Value-Added Agriculture Companies,  
Banking Structure and Financing**

—John Wortman, Executive Director, Farm and Livestock Bureau

—Mike White, President, Farm and Livestock Bureau

—Craig Reeves, President, First National Bank of Clayton

—Marquita Russel, Chief of Programs, NMFA

4:00 p.m.      **GRIP—Progress Report and Relationship to Federal Legislation**

—NMFA Staff

4:45 p.m.      **Approval of Minutes and Committee Business**

5:00 p.m.      **Recess**

**Tuesday, August 23**

8:30 a.m.      **Governmental Gross Receipts Tax Distribution & Relationship to the  
Capital Market**

—George Williford, First Southwest Company

9:15 a.m.      **Static Modeling of Capacity in the Public Project Revolving Fund (PPRF)**

—Chip Pierce, Financial Advisor to the NMFA, Western Financial Group

10:00 a.m.      **Dynamic Asset/Liability Modeling for the PPRF**

—NMFA Staff

10:45 a.m.      **University of New Mexico Bonding Issues & Cigarette Tax Revenue**

—Carlos Romero, University of New Mexico

—Mark Valenzuela, Director, Intergovernmental Relations, NMFA

11:30 a.m.      **Adjournment**

**TENTATIVE AGENDA**  
**for the**  
**FOURTH MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY (NMFA) OVERSIGHT COMMITTEE**

**September 26-27, 2005**  
**Mount Cristo Rey Room**  
**Sunland Park Racetrack and Casino**  
**Sunland Park**

**Monday, September 26**

- 10:00 a.m.     **Call to Order**  
                  —Senator Mary Kay Papen, Vice Chair
- 10:05 a.m.     **Welcome to Racetrack**  
                  —Scott Scanland, New Mexico Government Affairs
- 10:15 a.m.     **Mayor's Welcome and Discussion of Area Capital Needs**  
                  —Ruben Segura, Mayor of Sunland Park
- 11:00 a.m.     **Border Authority Presentation: Organizational Structure and Vision**  
                  —Jaime Campos, Executive Director, Border Authority  
                  —Rachel Garcia-Banegas, Deputy Director, Border Authority  
                  —James Creek, Projects Manager, Border Authority
- Border Security**  
                  —Border Patrol (invited)
- The Verde Group: The Santa Teresa Master Plan**  
                  —Claude Billings, The Verde Group



12:15 p.m.     **Lunch: On-Site**

1:15 p.m.     **Border Tour: Development, Customs and Crossings**

3:00 p.m.     **Border Authority Presentations: Paseo del Norte Rail Relocation Project  
Infrastructure Development and New Mexico's Ports of Entry**

**Border Authority and Trade and Mexican Affairs Division: Industrial  
Development Initiatives**

—Jaime Campos, Executive Director, Border Authority

—Rachel Garcia-Banegas, Deputy Director, Border Authority

—James Creek, Projects Manager, Border Authority

— Juan Massey, Trade and Mexican Affairs Division, Economic  
Development                      Department (invited)

5:00 p.m.     **Recess**

**Tuesday, September 27**

9:00 a.m.     **Big Check Presentation for Behavioral Health**

—Bill Sisneros, Executive Director, NMFA

**NMFA Updates: Behavioral Health and Water and Wastewater Project  
Grant Fund Status Reports**

—Marquita Russel, Chief of Programs, NMFA

**Child Care Facility Revolving Loan Fund and Approval of Rules**

—NMFA Staff

12:00 noon    **Adjourn**

Revised: October 18, 2005

**TENTATIVE AGENDA**  
**for the**  
**FIFTH MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY (NMFA) OVERSIGHT COMMITTEE**

**November 1-2, 2005**  
**Room 322, State Capitol**

**Tuesday, November 1**

9:30 a.m. **Call to Order and Approval of Minutes**

—Representative Daniel P. Silva, Chair

—Senator Mary Kay Papen, Vice Chair

9:40 a.m. **GRIP and GRIP 2 Updates: Project Selection and Financing Details**

—Rhonda Faight, Secretary of Transportation

—Mark Valenzuela, Director of Intergovernmental Relations, NMFA

10:45 a.m. **Federal Legislation Report: Transportation Bill and Drivers' License**

## Legislation

—Cheye Calvo, Committee Director, Transportation Standing Committee,  
National Conference of State Legislatures

12:00 noon      **Lunch**

1:30 p.m. **Water and Wastewater Project Funding, Prioritization and the Uniform Funding Application**

—Richard Rose, Bureau Chief, Construction Programs Bureau, Department of

Environment

—Robert Apodaca, Capital Outlay Unit, Department of Finance and  
Administration

2:30 p.m.      **Status Report: Water and Wastewater Project Grant Fund**  
—NMFA Staff

3:30 p.m.      **New Market Tax Credits**  
—NMFA Staff

5:00 p.m.      **Recess**

**Wednesday, November 2**

**9:00 a.m.      Expenditures of the Governmental Gross Receipts Tax Distribution for  
State      Parks and the Youth Conservation Corps**

—David J. Simon, Director, State Parks Division, Energy, Minerals and  
Natural      Resources Department

—Stewart Farley, Chair, Youth Conservation Corps Commission

—Wendy Kent, Executive Director, Youth Conservation Corps

**10:00 a.m.      Rules Changes for SMART Money, Public Project Revolving Fund and  
Local Government Planning Fund**

—Mark Valenzuela, Director of Intergovernmental Relations, NMFA

**11:00 a.m.      Follow-Up Report on Issues Discussed During Interim**

—Mark Valenzuela, NMFA

**12:00 noon      Adjourn**

**Revised: November 17, 2005**

**TENTATIVE AGENDA**  
**for the**  
**SIXTH MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY (NMFA) OVERSIGHT COMMITTEE**

## November 21-22, 2005

**Room 322, State Capitol**

## Santa Fe

**Monday, November 21**

10:00 a.m. **Call to Order and Approval of Minutes**

—Representative Daniel P. Silva, Chair

—Senator Mary Kay Papen, Vice Chair

10:10 a.m. **Criteria for Water System Planning, Performance and Conservation for State Financing: A Response to House Joint Memorial 86**

—John D'Antonio, State Engineer

—Anne Watkins, Special Assistant to the State Engineer

11:00 a.m.      **Review of Statutes Pertaining to Water and Wastewater Enabling and Financing**

—Judy Flynn O'Brien, Interim Director, Institute of Public Law, University of New Mexico

—Marilyn O'Leary, Director, Utton Center

12:00 noon      **Lunch**

1:30 p.m. **Albuquerque-Bernalillo County Water Utility Authority Projects in the**

### **North and South Valleys**

—Mark Sanchez, Executive Director, Albuquerque-Bernalillo County Water  
Utility Authority (ABQ-BC WUA)

#### **3:00 p.m. Mesa del Sol Project**

—Jerry King, Assistant Commissioner for Surface Resources, State Land  
Office

—Andres Aragon Villamonte, Deputy Secretary of Transportation Programs  
and Infrastructure, Department of Transportation (invited)

—Mark Sanchez, Executive Director, ABQ-BC WUA

—Mike Daly, Chief Operating Officer, Forest City Enterprises

—Harry Relkin, Director of Land Development, Forest City Enterprises

—Representatives from the Economic Development Department and New  
Mexico Partnership on Advent Solar (Invited)

#### **5:00 p.m. Recess**

### **Tuesday, November 22**

#### **9:00 a.m. NMFA Mission Statement and Values**

##### **NMFA Presentations to Rating Agencies**

—Bill Sisneros, Executive Director, NMFA

—Mark Valenzuela, Director of Intergovernmental Relations, NMFA

#### **10:30 a.m. NMFA Overview of Legislation**

—Bill Sisneros, Executive Director, NMFA

—Mark Valenzuela, Director of Intergovernmental Relations, NMFA

#### **12:30 p.m. Adjourn**

**MINUTES**  
**of the**  
**FIRST MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**June 20, 2005**  
**Room 322, State Capitol**

The first meeting of the New Mexico finance authority (NMFA) oversight committee for the 2005 interim was called to order by Representative Daniel P. Silva, chair, at 10:10 a.m. in room 322 of the state capitol.

**Present**

Rep. Daniel P. Silva, chair  
Sen. Mary Kay Papen, vice chair  
Sen. Joseph. J. Carraro  
Rep. Daniel R. Foley  
Sen. Clinton D. Harden, Jr.  
Rep. Dona G. Irwin  
Rep. Patricia A. Lundstrom  
Rep. Jane E. Powdrell-Culbert  
Sen. Lidio G. Rainaldi  
Sen. Shannon Robinson  
Sen. Nancy Rodriguez  
Rep. Henry Kiki Saavedra  
Sen. H. Diane Snyder  
Rep. Don L. Tripp  
Rep. Richard D. Vigil

**Absent**

**Advisory Members**

Rep. Jose A. Campos

Rep. Ernest H. Chavez

Sen. Dianna J. Duran

Rep. Mary Helen Garcia

Rep. Roberto "Bobby" J. Gonzales

Rep. Ben Lujan

Sen. Richard C. Martinez

Rep. Edward C. Sandoval

Rep. Sheryl Williams Stapleton

Rep. Joe M Stell

Rep. Luciano "Lucky" Varela

Sen. Ben D. Altamirano

Sen. Vernon D. Asbill

Sen. Pete Campos

Sen. Kent L. Cravens

Rep. Anna M. Crook

Sen. Joseph A. Fidel

Sen. Mary Jane M. Garcia

Sen. Stuart Ingle

Sen. Steven P. Neville

Sen. Leonard Lee Rawson

Rep. Harriet I. Ruiz

**Staff**

Renee Gregorio

Cleo Griffith

Kathleen Dexter

**Guests**

The guest list is in the meeting file.

Copies of all handouts and written testimony are in the meeting file.

**Statutory Charge and NMFA Overview**

Renee Gregorio reviewed the statutes governing the NMFA oversight committee and outlined the committee's duty to oversee both the NMFA and the border authority.

Bill Sisneros, executive director of the NMFA, described the evolution of the NMFA since its enabling legislation was passed in 1992 and cited a need to make the authority more policy-driven at this stage in its development. He explained that New



Mexico has an advantage in the bond market and in insurance ratings because its bonds are backed not only by income and a cash reserve but also by the state's governmental gross receipts tax (GGRT). This tax-based third tier of security makes the bonds attractive investments and provides further credit enhancement for the state.

### **Legislation Overview from Recent Session**

Mark Valenzuela, NMFA director of intergovernmental relations, reviewed legislation passed during the 2005 session that affects the NMFA and detailed its associated revenue sources, including fees, surcharges and the cigarette tax. One piece of legislation — Senate Bill 54 (Chapter 76), a duplicate of House Bill 294 (pocket vetoed) — authorizes the NMFA to fund emergency water and wastewater projects around the state from the water and wastewater project grant fund (WWGF). However, a \$25 million appropriation in the original bill was stricken in committee, and Mr. Valenzuela stated that the NMFA would be closing out this program due to lack of funds. Committee members expressed concern that closing the WWGF program would leave no source of grant funding for small communities facing water and wastewater emergencies; significant federal matching funds would be lost; and legislators would be forced to use their capital outlay funding to cover emergency projects. Committee members also noted that to close the WWGF program and refer former NMFA projects to the department of finance and administration (DFA) capital outlay unit would be to relinquish some legislative control to the executive branch. The presenters acknowledged the members' concerns and agreed to take direction from the committee regarding the WWGF program.

On questioning from committee members, the presenters stated that:

- the NMFA is not involved with pension obligation bonds beyond reviewing and vetting proposed investment programs for these bonds;
- the NMFA is moving toward more frequent bond issues — every three months rather than annually — in order to meet changing market conditions,

including fluctuating interest rates;

- the public project revolving fund may be used not only for funding but also for refinancing a project if, after a review of the project's debt structure, the NMFA determines that refinancing would be beneficial;
- both the NMFA and DFA review all local government financing packages;
- the NMFA needs to develop a system for tracking project completion and contract compliance in addition to the monitoring done by the state auditor; and
- if DFA takes over project funding, the NMFA would still be involved with communities by working with them on their debt structure.

Committee members debated whether water rights adjudication costs should come out of the operating budget for the office of the state engineer or the courts rather than out of the water project fund, as is now required with the passage of House Bill 1110 (Chapter 293).

### **Governmental Gross Receipts Tax**

Mr. Valenzuela and Mr. Sisneros gave an overview of the GGRT, statutory exemptions to the tax and the role that the tax plays as security for bond issues. Approximately 82 percent of GGRT revenue comes from local water utilities, sewage services and solid waste management; 11 percent from admissions to certain recreation, athletic and entertainment events; and seven percent from the sale of tangible personal property from facilities open to the general public. In part because of the security provided by the GGRT, the NMFA portfolio is growing steadily by approximately \$20 million annually, with a current total near \$650 million. In general discussion, committee members noted that to disturb the GGRT revenue stream by adjusting or eliminating the tax could have serious negative consequences for small communities with NMFA-funded projects and that, at five percent, the rate for the GGRT is lower than the gross receipts tax that would be paid if the sales were made by a private business.

### **Work Plan and Meeting Dates**

On a motion duly made, seconded and passed without objection, the committee chose the following dates and locations for meetings during the interim.

July 25-26	Raton
August 22-23	Ruidoso
September 26-27	Sunland Park
November 1-2	Santa Fe
November 21-22	Santa Fe

The work plan was expanded to include a presentation from the youth conservation corps on its use of funds that are earmarked for the program within the GGRT distribution to the energy, minerals and natural resources department.

#### **Philosophy and Goals of the NMFA**

Marquita Russel, NMFA chief of programs, and Mr. Sisneros gave an overview of the NMFA's platform, including its management evolution, policies and practices, market strategy, portfolio mix, safeguards and interaction with the executive and legislative branches. The authority is developing a mission statement and policy description, which will be brought before the NMFA board as well as the oversight committee during the interim. As part of its move toward more aggressive asset management, the NMFA has hired a database management director and will also move into a performance-based budgeting system. The authority is currently understaffed with only one employee per \$33 million in activity and will address its staffing shortage at an upcoming board meeting. New programs available through the NMFA to communities with low credit ratings include a subordinate lien program and variable rate loans. On questioning from committee members, the presenters clarified that variable rate loans can be a positive strategy in certain limited cases and are only issued when appropriate.

The committee adjourned at 3:25 p.m.



**MINUTES**  
**of the**  
**SECOND MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**July 25-26**  
**International Bank, Raton**

The second meeting of the New Mexico finance authority (NMFA) oversight committee for the 2005 interim was called to order by Representative Daniel P. Silva, chair, on July 25, 2005 at 10:08 a.m. at the International Bank in Raton.

**Present**

Rep. Daniel P. Silva, chair  
Sen. Mary Kay Papen, vice chair  
Sen. Joseph. J. Carraro  
Sen. Clinton D. Harden, Jr.  
Rep. Dona G. Irwin  
Rep. Jane E. Powdrell-Culbert  
Sen. Shannon Robinson  
Rep. Henry Kiki Saavedra  
Rep. Joe M Stell  
Rep. Don Tripp

**Advisory Members**

Sen. Vernon D. Asbill  
Rep. Jose A. Campos (7/25)  
Rep. Ernest H. Chavez

**Absent**

Rep. Daniel R. Foley  
Rep. Patricia A. Lundstrom  
Sen. Lidio G. Rainaldi  
Sen. Nancy Rodriguez  
Sen. H. Diane Snyder  
Rep. Richard D. Vigil

Rep. Anna M. Crook  
Sen. Dianna J. Duran  
Rep. Mary Helen Garcia  
Rep. Roberto "Bobby" J. Gonzales

Rep. Ben Lujan  
Sen. Richard C. Martinez  
Rep. Harriet I. Ruiz  
Rep. Edward C. Sandoval  
Rep. Sheryl Williams Stapleton (7/25)  
Rep. Luciano "Lucky" Varela

Sen. Ben D. Altamirano  
Sen. Pete Campos  
Sen. Kent L. Cravens  
Sen. Joseph A. Fidel  
Sen. Mary Jane M. Garcia  
Sen. Stuart Ingle  
Sen. Steven P. Neville  
Sen. Leonard Lee Rawson

(Attendance dates are noted for those members not present for the entire meeting.)

**Staff**

Renee Gregorio  
Kathleen Dexter  
Cleo Griffith

**Guests**

The guest list is in the meeting file.

Copies of all handouts and written testimony are in the meeting file.

### **Monday, July 25**

#### **Overview of Capital Needs**

Pete Mileta, city manager, thanked the committee for legislative support for projects in Raton, especially funding for the technology and industrial park. He indicated that the city will be looking to the NMFA for financing for infrastructure improvements; the city has instituted a one-fourth percent gross receipts tax that will be dedicated to pay back such loans.

Mike Running, city manager for Clayton, spoke about that city's proposal for a jail, for water needs and for a landfill. He added that the city will be seeking the help of the NMFA in addressing these needs as well as infrastructure improvements to facilitate economic development in the area.

In response to a question regarding economic development, Joe Apache, mayor of Raton, mentioned that the climate and quality of life attract businesses to the area; firearms-related businesses are also drawn to Raton because of the presence of the NRA Whittington center. He added that the educational system is very fine and that the city is in the process of building a new hospital.

Questions ensued concerning the mining population and how the miners' hospital serves that population. Mr. Butler, city commissioner, stated that there are currently 27 miners being served in existing and long-term care facilities, but that there are also many retired miners in the area. In response to questions about the mining operation itself, the mayor replied that although there is a vast tonnage of coal in the environment, there is a problem extracting it, making it difficult to make a profit. The area once had four or five working mines.

As reported, other area projects include the GRIP road expansion project on U.S. highway 64/87 between Raton and Clayton. The committee asked questions concerning education and were informed that about 15 percent of students continue on to college and that there is a reciprocity agreement between Colorado and New Mexico regarding in-state tuition. Distance learning is also an important element in making education possible for many residents of northeastern New Mexico.

Tom Garcia, Colfax county manager, reported that reconstruction of the courthouse is a major project for the county; chip sealing is needed on mountain roads; and three bridges need to be replaced.

Richard Arguello, chair, Union county commission, said there are many mutual concerns between Colfax and Union counties, including advancing vocational and higher learning through distance learning and economic development through forming business incubators.

In response to questions, Mr. Running added that the city of Clayton has been under pressure to close its landfill and has had to deal with poor engineering services as well as other priorities, which have prevented closure. He said that the city is looking at a site 20 miles out of town.

Representative Campos expressed concern that the department of environment (DOE) has been dedicating funds to recycling over the past few years and that the funds now need to be redirected and dedicated for landfill closures.

Shirley Brooks, mayor of Des Moines, testified that its biggest need is water; wells have been shut down due to nitrates or are otherwise non-functioning.

### **NRA Whittington Center Hosts Outdoor Writers' Convention**

Mike Ballew, executive director, NRA Whittington center, gave a history of the NRA and the formation of the center in 1973 when the NRA acquired the property outside



of Raton. In 1977, the center was turned over to the board of trustees, making the center tax-exempt and separate from the NRA. Mr. Ballew reported that the center receives 160,000 visitors per year. In June of next year, the center will sponsor the outdoor writers' association of America, which will bring in journalists and industry people from the press, including those from *Field and Stream*, the *Washington Post* and the *San Francisco Chronicle*.

In answer to legislative questions concerning environmental cleanup on the site, Mr. Ballew said that the center has many lead-handling procedures, including cattail marshes and monitoring wells downstream. He added that there has been no increase in the net runoff of lead.

### **NMFA Operating Budget**

Mark Valenzuela, director of intergovernmental relations for NMFA, reported that the operating budget has recently been approved. He assured the committee that its concern for the needs of the smaller communities is being heeded. He added that NMFA tracks the outcome of investments on projects. (See handout for specifics on NMFA's growth in areas such as managed gross assets, managed invested cash, loans receivable and bonds payable.) Mr. Valenzuela stressed the importance of developing a platform for NMFA, an asset liability model and increased data management. He added that NMFA is shifting to a performance-based budget for the first time, which will account for the costs of every program and produce a report of outcomes. He noted that in the newer reporting method, NMFA is now showing contractual services as part of all bond transactions; in the past, costs associated with bond issuances were reflected in bond activity rather than in the operating budget. Bill Sisneros, executive director of NMFA, added that the organization is conducting a functional analysis internally, and that the allocation of the budget and all related financials will tie to the operating budget from now on. He pointed out that the numbers are not new, but that the disclosure method is new.

In response to questions from committee members about the information technology (IT) administration for NMFA, Mr. Sisneros said NMFA hired a data administrator who works with an IT specialist. He added that NMFA is an entrepreneurial arm that operates on fees charged, which are well below the market rate. NMFA is a \$2 billion bond bank, he said. On questions related to standards used by NMFA regarding IT, Mr. Valenzuela remarked that NMFA does not go through the state process, rather, it works with consultants to determine the best practices; there is no long-term planning as with state agencies. Mr. Sisneros added that NMFA is doing a full profile of its assets, and that an asset liability model is being put into place so that NMFA can report to the legislature with projections. He said that the structure of NMFA's debt is crucial.

Committee members expressed interest in understanding the NMFA's asset liability modeling, which they agreed would be discussed at the next meeting in Ruidoso.

In response to a question about the state's overall credit rating, Mr. Sisneros indicated that NMFA issues AAA rated bonds, has never had a default and that the GGRT collateral keeps its rating high. New Mexico is unique in the nation in this regard, he said.

Representative Stell remarked that the state has many funds, including the permanent fund, the severance tax permanent fund and the educational retirement fund, and that all are managed by professional managers who study how to invest state money. He asked NMFA if it invests in the same way. Mr. Sisneros responded that it does now, but that it has a contract with Ryan labs and the Ettinger city group to manage funds, and has internal investment strategists. Mr. Valenzuela added that NMFA's objectives are different than PERA and the state investment council, saying that they are investors and the NMFA is a "loaner".

## **NMFA Application Process and Prioritization for Loans and Grants**

Kim Massey-Dimsha, financial advisor, NMFA, spoke on the benefits of public project financing, avenues for financing, NMFA's role in public project financing and what entities qualify to receive such financing. (See handout for details.) In response to a question on audits, Mr. Sisneros stressed that the NMFA board is adamant about getting audit statements completed before closing projects. He added that a great deal of assistance is given on-site to local entities seeking funding to expedite the financing process. Mr. Valenzuela indicated that 214 entities applied for funding in the public project revolving fund authorization bill, in answer to a question. Ms. Massey-Dimsha said that between 100 and 130 projects are currently in process for the next authorization bill. She added that this bill shows only requests made by entities; analysis is not done ahead of time on these projects. Because a project appears on the authorization bill does not mean any planning has been done or even that the project will successfully make it through to completion.

Ms. Massey-Dimsha reviewed what borrowers are allowed to pledge, adding that they can pledge whatever fees they have imposed on users. Disadvantaged funding, which is a low-rate financing based on median household income, is also in place, she said, and NMFA does try to assist communities in restructuring debt, if needed.

In conclusion, she added that all projects go through an internal evaluation as well as board approval, which includes terms and amounts of loans and readiness, among other details of the loan and project.

NMFA will get letters out to committee members on a monthly basis to inform them of projects in their districts, she added.

### **Governmental Gross Receipts Tax (GGRT) Distribution to NMFA**

Mr. Valenzuela spoke about the GGRT distribution to the NMFA of 75 percent of the tax, which amounts to about \$18 million per year of the \$25 million in revenue generated by that tax. The GGRT distribution is applied to the public project revolving fund; it is a revenue stream that backs loans and helps in subsidizing low-income communities. He said that the full amount is loaned to communities and

provides a loan repayment stream for many years, from which NMFA takes to market and issues debt. In response to a question about whether that original money grows from loans made, Mr. Sisneros indicated that this money is a moving target and that the fund is built up as the capacity grows.

Mr. Valenzuela reviewed how rating agencies look at the portfolio of loans and how categories are discerned. In response to questions, Ms. Massey-Dimsha said that NMFA gives all borrowing entities the same rates, despite what category the loan falls under. Mr. Valenzuela indicated that many loans are category 1 loans, which gives NMFA more capacity. The risk that is involved is in the security of the credit, he added. In response to previous questions about how much debt NMFA can take on, Mr. Valenzuela said that based on the existing portfolio, NMFA has the capacity to assume \$1.2 billion in loans. Mr. Sisneros explained that to rank NMFA's loans, the bond rating institutions look at safeguards that are in place; he added that NMFA needs to look at an asset liability model on a long-term basis, and that a balance between assets and liabilities needs to be determined. He added that NMFA will bring in financial advisors to explain the asset liability model at the next meeting.

The minutes for the first meeting of the NMFA oversight committee were unanimously approved.

## **Tuesday, July 26**

### **NMFA Financing Programs Review**

The meeting reconvened at 9:05 a.m., with Mr. Sisneros and Mr. Valenzuela presenting the financial outlook for NMFA, which includes improving long-term planning and assessment of state and local capital needs and helping smaller communities put together capital improvement programs. They added that NMFA is moving toward a policy-based operation. In response to questions about hiring a planner with expertise in managing investments to avoid the problems recently experienced with the university of New Mexico cancer treatment center financing,

Mr. Sisneros remarked that the problem was one with timing: the amount of money reported by the taxation and revenue department differed from the predicted amount. He added that the department's economic activity does not relate to its reporting; it collects data and then posts it on a cash basis, whereas NMFA works on an accrual basis. Mr. Valenzuela explained that the increase in cigarette taxes began a few years ago but NMFA has yet to receive a full fiscal year's worth of data, so it has been unable to calculate a trend on the revenue. He added that NMFA will now coordinate with the legislative finance committee and the department of finance and administration on this issue.

Committee members expressed concern over ways to look at the handling of state money, and knowing what sort of revenue is being generated with this tax. Mr. Sisneros said that the cigarette tax creates an income stream to pay off debt at the same time that there is a program to stop smoking and that he is uncomfortable with some of the numbers generated. He assured the committee that he will be very conservative in his approach to these problems. Mr. Valenzuela said that if the university of New Mexico went to market alone, its costs would be very high; partnering with NMFA does lead to lower costs.

The committee agreed it needs to continue to look at the issues surrounding cigarette tax revenue and the university of New Mexico's cancer treatment center.

Mr. Sisneros went on to discuss disadvantaged entity funding and assistance for costs of issuance, which has amounted to over \$5.35 million since 1999. He said that the legislature provided \$2 million in funding this year to the drinking water revolving loan fund, to which NMFA added another \$2 million to capitalize on additional federal grant money. Mr. Valenzuela reported that NMFA works with the DOE on which communities to work with for this funding. He added that DOE spends time working with communities to develop their management and technical capacity to handle the funding.

Tom McHugh, NMFA, reported on the water and wastewater grant fund, including criteria for receiving grant awards. He added that there is currently \$8 million in the fund, which will be depleted by the end of this fiscal year. Chairman Silva remarked that the committee needs to hear from DOE on its methods of selecting and prioritizing communities for funding.

Senator Harden suggested that an emergency fund be created for NMFA to assist communities with such needs during the interim. Mr. Valenzuela said there is such a fund, but there is no money in it.

### **Governor Richardson's Investment Partnership (GRIP) Update**

Rhonda Faught, secretary of transportation, reported that \$384 million is currently committed on 25 GRIP projects. She said that 88 percent of these projects have been awarded to New Mexico contractors, with 1,000 New Mexicans at work on these projects. Another bond sale is scheduled for 2006, she added. NMFA has issued \$700 million in bonds for GRIP projects, she reported. (See handouts for individual project details.) Ms. Faught added that the Raton U.S. highway 64/87 project will begin in October of this year. In response to questions about the use of concrete versus asphalt, she said that it is more cost-effective in New Mexico to use asphalt.

Keith Mellor, chief financial officer, NMFA, summarized financing for the fiscal year that recently ended for GRIP projects, saying that project funds earned 3.1 percent and the total interest earned equalled \$42 million. In response to a question regarding what is done with profits from GRIP financing, Ms. Faught indicated that all profits are put right back into GRIP projects, knowing that costs will increase over time. Mr. Mellor reviewed the actual drawdowns and gave a summary of the accounts. In response to a question on the selection of Ryan labs for asset management, Mr. Mellor said that NMFA did a competitive RFP for this work, looking for which strategy came closest in terms of safety, liquidity and yield. Mr. Sisneros indicated that NMFA receives a 25 basis point fee for support services, while Ryan labs receives 4.5 basis points. Committee members concerned about arbitrage were

assured by Mr. Mellor that NMFA tracks earnings on all funds specifically for preventing arbitrage.

Ms. Faught discussed GRIP 2 projects, saying that rating criteria are being developed and workshops have been given in seven locations across the state for identifying needed projects. The amount of money available for GRIP 2 projects has not yet been determined, but will be by the end of August, and financing options will be determined in September, she said. At that time, an update could be presented to the legislature, she added. In response to a question about the use of the ICIP program in determining GRIP projects, Ms. Faught indicated that the department has used this program, but decided that it was too broad and that it needed to look more closely at transportation planning. Senator Carraro asked if forms could be given to legislators for use in their districts, to which Ms. Faught agreed. Representative Tripp expressed concern over the lists of submitted projects for GRIP 2, adding that he feels communities are unprepared to give priorities. Ms. Faught said the department is trying to get a snapshot of needs and that it comes down to local governments and regional planners not doing any real planning. She added that changes can be made to projects until legislation passes. When asked for an update on the rail project, Ms. Faught said that the project is "on track", the trains have been purchased and all should be operational by year's end. She added that the department has been working with the congressional delegation to ensure passage of an appropriation in the federal transit bill.

Renee Gregorio, legislative council service staff, reviewed changes made to the NMFA oversight committee's work plan by the legislative council. These include adding oversight for the New Mexico exposition center authority, which she mentioned has not yet been formed. The committee was also asked to review and oversee GRIP financing.

The committee adjourned at 12:00 noon.





**MINUTES**  
**of the**  
**THIRD MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**August 22-23, 2005**  
**Room 6 — Ruidoso Convention Center**  
**Ruidoso**

The third meeting of the New Mexico finance authority (NMFA) oversight committee for the 2005 interim was called to order by Representative Daniel P. Silva, chair, at 10:15 a.m. in room 6 of the Ruidoso convention center in Ruidoso.

**Present**

Rep. Daniel P. Silva, chair  
Sen. Mary Kay Papen, vice chair  
Rep. Daniel R. Foley  
Sen. Clinton D. Harden, Jr.  
Rep. Dona G. Irwin  
Sen. Nancy Rodriguez (8/23)  
Rep. Henry Kiki Saavedra  
Rep. Joe M Stell  
Rep. Don L. Tripp  
Rep. Richard D. Vigil

**Absent**

Sen. Joseph J. Carraro  
Rep. Patricia A. Lundstrom  
Rep. Jane E. Powdrell-Culbert  
Sen. Lidio G. Rainaldi  
Sen. Shannon Robinson  
Sen. H. Diane Snyder

**Advisory Members**

Sen. Vernon D. Asbill  
Rep. Ernest H. Chavez  
Rep. Anna M. Crook

Sen. Dianna J. Duran (8/23)  
Rep. Mary Helen Garcia  
Sen. Leonard Lee Rawson  
Rep. Harriet I. Ruiz

Rep. Edward C. Sandoval  
Rep. Luciano "Lucky" Varela

Sen. Kent L. Cravens  
Sen. Joseph A. Fidel  
Sen. Mary Jane M. Garcia  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Stuart Ingle  
Rep. Ben Lujan  
Sen. Richard C. Martinez  
Sen. Steven P. Neville  
Rep. Sheryl Williams Stapleton

Sen. Ben D. Altamirano  
Rep. Jose A. Campos  
Sen. Pete Campos

(Attendance dates are noted for members not present for the entire meeting.)

**Staff**

Renee Gregorio

Cleo Griffith

Kathleen Dexter

**Guests**

Representative W. C. "Dub" Williams

The guest list is in the meeting file.

Copies of all handouts and written testimony are in the meeting file.

**Monday, August 22****NMFA Board Introduction and Mayor's Welcome**

Steve Flance, president of the NMFA board of directors, introduced the NMFA board members to the committee, and Leon Eggleston, mayor of Ruidoso, welcomed the committee to Ruidoso. Mr. Eggleston and Lorri McKnight, Ruidoso village manager, gave a presentation on capital projects and needs in the village, the largest being a regional wastewater treatment plant that will cost approximately \$32 million and will be built with a combination of state and federal funding. Other critical area needs include fire and police equipment, and the village will be approaching the legislature for capital outlay funds for these purchases. In general discussion, committee members noted that capital outlay equipment purchases need to be tracked closely so that the equipment stays with the purchasing entity for its entire useful life.

On questioning from committee members, the presenters stated that:

- the permanent population of Ruidoso grew from 7,500 in 2000 to 8,700 in 2004, and the seasonal population is sometimes as high as 50,000; approximately 30 percent of area homes are not on the village sewer system, and it would cost approximately \$7 million to add these to the community system;

- Ruidoso is focusing on long-term water management and continues to ration water even though the supply is up from last year; it has applied for water rights in the Tularosa basin and is considering the possibility of forming a regional water system with Ruidoso Downs, Alto and several other water districts in the area;
- water loss within the current water system was as high as 30 percent at one time, and Ruidoso issued bonds to improve the system and replace old pipes; and
- Ruidoso considered a proposal for a public-private water system but rejected it because the village would have to build the system and the private partner would only supply the water.

### **Overview of Area Capital Needs**

Michael Nivison, Cloudcroft village administrator and Otero county commissioner, reported that Otero county is growing rapidly and that the county's top capital priority is to renovate jail and office facilities. Water and wastewater system improvements are needed both in the county and in the village of Cloudcroft. The village has received community development block grant funding for a 40-year water plan and state funding for a water reuse system, which will return up to 90 percent of village water and will provide 100 percent of the water used at the village golf course. In addition, Cloudcroft is working with the United States army corps of engineers to increase its water storage capacity. On questioning from the committee, Mr. Nivison stated that the Mescalero Apache Tribe has been an integral part of watershed restoration planning following the fires in recent years and that the forest on the tribal side of the boundary is in better condition than the forest on the state side.

Ray Cordova, Tularosa mayor pro-tempore, and Rick Gutierrez, Tularosa project coordinator, reported that Tularosa has enough water to meet its current needs but that the town must prepare for growth due to development in the area. The town received funding from the federal rural utility service to build a bioactive wastewater treatment plant and received a loan through the NMFA to purchase a supplemental

well; however, it still needs \$2 million to \$3 million to build a sedimentation pond and to repair and replace old water and sewer lines. On questioning from committee members, the presenters stated that Tularosa initially protested Alamogordo's proposal to drill for water in the area but later dropped the protest as town officials felt the drilling might be beneficial.

Mark Clark and Earl Adams, both of the Alto Lakes water and sanitation district, reported that the water system in their community is old and undersized for current demand. Alto Lakes is bonded nearly to its full capacity and needs to refinance its debt before proceeding with improvements to both its water and wastewater systems. On questioning from committee members, the presenters stated that:

- Alto Lakes holds enough water rights to cover five years of projected growth and expand its system, but there is some question as to whether there is enough "wet" water available for the expansion;
- the community's 40-year water plan includes conservation measures, such as grey water systems, as well as land use restrictions;
- Alto Lakes provides water to the Kokopelli development solely for residential use;
- the water company providing water for the Alto Lakes system is a subsidiary of the Alto Lakes golf course and country club; and
- Alto Lakes puts approximately \$20,000 per month into a capital improvements fund, but this is not enough to cover the cost of needed improvements.

Hubert Quintana of the southeast New Mexico council of governments emphasized the importance of the proposed wastewater treatment plant to serve Ruidoso and Ruidoso Downs.

## **Rural Economic Development: Value-Added Agriculture Companies, Banking Structure and Financing**

Mark Valenzuela, NMFA director of intergovernmental relations, gave an overview of the governor's smart money initiative, which allows the NMFA to partner with private lenders for economic development projects in rural areas. The initiative received a \$10 million appropriation for its initial financing, and while the program is currently centered on agriculture, other industries are being considered for future efforts. In general discussion, committee members voiced concern that the legislature needs to have control over all economic development initiatives based on a statewide, result-oriented economic development plan.

John Wortman, executive director of the farm and livestock bureau, and Drs. Octavio Ramirez, Terry Crawford and Jay M. Lillywhite, all of New Mexico state university (NMSU), gave a presentation on the economic benefits of developing value-added agriculture in the state. Agriculture is the twelfth-largest industry in the state, accounting for approximately 11 percent of total industrial output, but is heavy in raw agriculture businesses, such as chile farms, and light in value-added businesses, such as food and fiber processors. Dr. Ramirez enumerated the potential benefits, including badly needed jobs in rural areas, of investing in enterprises that process raw agriculture products in state rather than shipping those products out of state. Dr. Crawford gave examples of value-added agriculture opportunities currently being lost to the state, citing as an example the butter processing plant that buys milk from New Mexico dairies but sits just over the Texas border. He credited some of the lost opportunities to business incentives given by other states but not by New Mexico. Dr. Lillywhite gave an overview of nontraditional value-added agriculture, including production of wheat cat litter and soy-based cosmetics, and reported on the United States department of agriculture (USDA) program that recently established 10 agriculture innovation centers, none of them in southwestern states. He suggested that New Mexico make a proposal to the USDA to be the southwest test site for agriculture innovation efforts.

On questioning from committee members, the presenters stated that one meatpacking plant left the state in order to be closer to the major food distributors, which are all

out of state. They also noted that because NMSU operates under a teaching and research mandate rather than an economic development mandate, the university does not coordinate efforts with the economic development department (EDD).

Craig Reeves, president of first national bank of Clayton, and Marquita Russel, NMFA chief of programs, gave details on the financing structure of the smart money initiative. Of the four financing structures available, loan participation with community banks produces the greatest return for the lowest cost to the state. Loans are structured with 49 percent participation by the NMFA, which can offer a lower interest rate than a partner bank can offer on its 51 percent share, thus significantly reducing the overall cost of the loans. As is required in other NMFA programs, projects funded through the smart money initiative must undergo evaluation and approval and receive legislative authorization prior to financing. An anti-donation analysis is done on each project to ensure that it meets the criteria for either a "standard project" — one for which adequate consideration is obtained by the state for financial assistance — or a "state project" — one for which adequate consideration to the state cannot be demonstrated and, therefore, that qualifies for the economic development exception to the anti-donation clause. Preference is given to projects that either are in rural areas, pay above-median wages or offer health benefits.

On questioning from committee members, Mr. Reeves, Ms. Russel and Bill Sisneros, executive director of the NMFA, stated that:

- the smart money program is still in its preparatory phase and will be implemented fully as soon as processes are established and rules and policies are adopted; attorneys are still working to structure the program to meet the constitutional anti-donation requirement;
- Texas invested \$100 million in a similar public-private economic development program, and Colorado invested \$50 million;
- a study by EDD showed that the most beneficial economic development efforts are those that generate exportable goods;

- partner banks underwrite the loans, and the NMFA smart money serves as gap, rather than equity, financing; a borrower makes its loan payments to the partner bank, which pays the NMFA for its participation share;
- while the legislation authorizes the NMFA to make direct loans, the authority does not currently have enough staff to administer such a program;
- since the partner bank assumes the risk on a loan, loans will probably not be made to borrowers in the highest risk category;
- partner banks must be located in New Mexico; and
- the smart money initiative fund is predicted to triple in 15 years.

## **GRIP 2 — Progress Report and Relationship to Federal Legislation**

Mr. Valenzuela and Mr. Sisneros distributed handouts on behalf of Secretary of Transportation Rhonda Faught regarding highway improvement projects requested by communities statewide under GRIP 2. Requested projects total \$25 billion and are rated as either critical, necessary or desirable. On questioning from the committee, the presenters stated that:

- the initial GRIP project is using a combination of local, state and federal funding, but GRIP 2 is still in the needs-assessment phase and financing mechanisms have not yet been detailed;
- the state needs \$275 million per year to cover the identified needs, and Ms. Faught is reviewing how other states are funding their highway projects; and
- legislators can submit their own suggested projects directly to Ms. Faught.

## **Committee Business**

On motion duly made, seconded and adopted without objection, the minutes from the July 25-26, 2005 meeting were approved. The committee recessed at 4:05 p.m.

## **Tuesday, August 23**

The committee reconvened at 8:35 a.m.



**Static Modeling of Capacity in the Public Project Revolving Fund (PPRF) —  
Governmental Gross Receipts Tax (GGRT) Distribution and Relationship to the  
Capital Market**

Mr. Sisneros, Ms. Russel and Chip Pierce, western financial group, gave a presentation on the PPRF, the flagship program of the NMFA. Since the program's creation, the NMFA has made more than \$600 million in loans to local communities for infrastructure improvements. Bonding capacity in the program is limited to 75 percent of incoming revenue from debt service payments, and current cash flow available to pledge on bonds is approximately \$7.5 million. The NMFA averages a return of \$.93 on the dollar in the PPRF program, and the fund itself is growing by \$17 million to \$18 million annually. The NMFA issues bonds two to three times per year, which is a better approach to fluctuating market conditions than the annual bond issues of the past. Buyers tend to be a blend of small retail investors, mutual and hedge funds and insurance companies.

George Williford, first southwest company, explained the GGRT's role in providing credit support for the PPRF program and ensuring a high rating for NMFA bonds in the marketplace. Because the GGRT backing enables disadvantaged borrowers such as small, rural communities to receive loans based on AAA credit ratings, any reduction in GGRT revenues would have an adverse economic impact on the state's neediest communities.

On questioning from committee members, the presenters stated that:

- the GGRT is imposed on certain sales by governmental entities, including ticket sales at university events and utility bills; public school districts are exempt from the GGRT;
- GGRT revenue is distributed to the NMFA for the PPRF (75 percent); the energy, minerals and natural resources department for park improvements and

the youth conservation corps (24 percent); and the cultural affairs department to pay off bonds for museum improvements (one percent);

- the largest contributor of GGRT revenue is the Albuquerque-Bernalillo county water utility authority;
- the NMFA turns down an average of two loan applications per month, some of which include proposals to pledge revenue streams that cannot legally be pledged or include more debt than the NMFA feels an entity can manage; the NMFA refers these borrowers to other programs, such as the water trust fund and the drinking water revolving loan fund;
- a borrower's ability to pay is assessed by reviewing three years of financial information; and
- school districts cannot participate in the PPRF program because they are prohibited by law from entering into loan agreements; however, the NMFA assists districts by buying the general obligation bonds that they sell.

### **Dynamic Asset/Liability Modeling for GRIP**

Sean McShea, president of Ryan labs asset management, and Keith Mellor, NMFA chief investment officer, gave a presentation on asset/liability management — matching assets with liabilities — as a method of managing the state's financial risk in the GRIP program. As of July, there has been an investment yield, or "value-add", of \$4.5 million on the total GRIP portfolio of \$620 million. On questioning from committee members, the presenters stated that:

- the department of finance and administration is considering the use of asset/liability management for state employee pension funds, though Ryan labs' current contract covers only the GRIP portfolio;
- GRIP bonds were assigned an arbitrage rating of 4.22 percent, and the yield has been 3.8 percent; increases in oil prices should not negatively affect the program because the bonds are short-term; and

- the NMFA will evaluate asset/liability management software for future use, looking for a package that can perform simulations based on market volatility.

### **University of New Mexico (UNM) Bond Issues and Cigarette Tax Revenue**

Carlos Romero, UNM legislative liaison, gave a presentation on the university's 2005 system revenue bond issue of \$125 million. UNM has already issued bonds backed by cigarette tax revenue to make improvements to the cancer research and treatment center and the children's hospital. The 2005 bonds will be paid for primarily with student fees and will be used for facilities improvements throughout the Albuquerque campus. On questioning from committee members, Mr. Romero stated that:

- of UNM's total annual income of \$1.6 billion, 16 percent comes from legislative appropriations and most of the balance from research, hospital revenues and tuition;
- UNM pays \$26 million annually in debt service payments for its \$371 million total debt;
- the NMFA participated in the cigarette tax bond issue but not in the 2005 issue, and UNM received an excellent rating without the NMFA's participation;
- because cigarette tax collections are shrinking as people stop smoking, bond issues backed by this revenue stream do not receive as high a rating as those backed by the GGRT; and
- bonds backed by student fees would not be affected by changes in statute regarding out-of-state students since all students pay the same fees.

The committee adjourned at 12:00 noon.

**MINUTES**  
**of the**  
**FOURTH MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**September 26-27, 2005**

**Mount Cristo Rey Room, Sunland Park Racetrack and Casino**  
**Sunland Park**

The fourth meeting of the New Mexico finance authority (NMFA) oversight committee for the 2005 interim was called to order by Senator Mary Kay Papen, vice chair, at 10:20 a.m. in the Mount Cristo Rey room of the Sunland Park racetrack and casino in Sunland Park.

**Present**

Sen. Mary Kay Papen, vice chair  
Rep. Daniel R. Foley  
Sen. Clinton D. Harden, Jr.  
Rep. Jane E. Powdrell-Culbert  
Sen. Shannon Robinson  
Sen. Nancy Rodriguez (9/27)  
Rep. Henry Kiki Saavedra  
Rep. Joe M Stell  
Rep. Don L. Tripp

Sen. Mary Jane M. Garcia  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Richard C. Martinez  
Sen. Leonard Lee Rawson  
Rep. Harriet I. Ruiz  
Rep. Edward C. Sandoval  
Rep. Sheryl Williams Stapleton

**Advisory Members**

Sen. Vernon D. Asbill  
Rep. Ernest H. Chavez  
Rep. Anna M. Crook  
Rep. Mary Helen Garcia

**Absent**

Rep. Daniel P. Silva, chair

Sen. Joseph J. Carraro

Rep. Dona G. Irwin

Rep. Patricia A. Lundstrom

Sen. Lidio G. Rainaldi

Sen. H. Diane Snyder

Rep. Richard D. Vigil

Sen. Ben D. Altamirano

Rep. Jose A. Campos

Sen. Pete Campos

Sen. Kent L. Cravens

Sen. Dianna J. Duran

Sen. Joseph A. Fidel

Sen. Stuart Ingle

Rep. Ben Lujan

Sen. Steven P. Neville

Rep. Luciano "Lucky" Varela

(Attendance dates are noted for members not present for the entire meeting.)

**Staff**

Renee Gregorio

Kathleen Dexter

**Guests**

The guest list is in the meeting file.

Copies of all handouts and written testimony are in the meeting file.

### **Monday, September 26**

#### **Welcome, Sunland Park Racetrack and Casino**

Scott Scanland, New Mexico government affairs lobbyist, welcomed the committee to Sunland Park racetrack and casino and expressed gratitude to the legislature for its support of the racing industry. He reported that the Sunland Park racetrack and casino has sent over \$110 million in gaming revenue to the state, with \$87 million paid in purses in that time. Mr. Scanland stressed that the most important issue for the racing industry at the present time is off-reservation gaming, with a Native American casino being proposed off-reservation near Las Cruces. In response to a question about what proposed legislation might do to help with stopping off-reservation gaming, Mr. Scanland indicated that the procedure for this is mainly in the hands of the federal government through the BIA and the secretary of the interior. Senator Papen suggested that committee members write to the department of the interior as individual legislators on this matter.

In response to a question on the expansion of racetracks in other areas of the state and whether there are enough horses, jockies and trainers to accommodate such expansion, Mr. Scanland reported that all racetracks are beginning to see a slippage in the number of horses available. He added that horse farms are becoming prominent in the area, but that the process of growing and training horses is a time-consuming one.

In answer to a question about revenues from the racetrack and casino, Mr. Scanland said that during July and August, revenues were at \$2.3 million; he added that the other three state tracks' combined revenues add up to Sunland Park's revenues.

#### **Sunland Park and Area Needs**

Ruben Segura, mayor of Sunland Park, welcomed the committee to what he called this tri-state community of 2.3 million people. He spoke of the ways in which the

community is targeting itself toward very direct economic development, mentioning the purchase of the western playland site, which has shifted ownership from Texas to New Mexico. He added that adequate infrastructure is needed in the area to be able to attract new businesses. Mayor Segura reported that the Sunland Park extension is complete, with \$8.3 million going toward the project from both federal and state sources. He spoke of the need and advantages of an Anapra-Sunland Park port of entry, which would be noncommercial in nature, as being able to help reduce air pollution emissions and stimulate economic development by fortifying revenue on both sides of the border. He outlined the El Paso regional mobility plan, which promotes circular transport systems that help to divert traffic away from urban areas. He also talked about a transit system that would be linked to El Paso, a rail safety project, a bridge project at Anapra and a feasibility study for the extension of the Columbus border highway, which are all necessary projects in the area.

#### **The Verde Group: The Santa Teresa Master Plan**

Claude Billings, Gilbert Mesa, Jack Darrell and Dave Majors of the Verde group, a private development company that owns a swath of land along the border, including territory between San Diego and Brownsville, explained the company's concept of land development and expansion in Santa Teresa. Verde group, a self-described well-capitalized venture, owns 21,000 acres adjacent to Santa Teresa that will be developed to include residential, commercial and corporate facilities. They spoke of the formation of the Verde group, which was founded in 2003 with the intent of owning and operating facilities on both sides of the U.S.-Mexico border. Mr. Billings reported that the main two functions of the group are to develop master plan communities and to develop, own and operate corporate facilities along the described target market. He added that by 2025, this development would create between 14,000 and 18,000 new jobs, with an additional 1,300 to 1,700 construction jobs; new businesses will generate revenues of between \$13 million and \$16 million and area schools, hospitals, emergency services and other community needs would be better met.

Mr. Mesa added that the acreage is due west of Sunland Park; the Verde group owns water rights to much of the land; there is land reserved for open space; 18 percent of the land will be developed for industrial and commercial uses; and retail use will encompass four percent of the land and schools two percent. He stated that the time line for approval of the village one plan is October of this year.

In response to committee members' questions, Verde group representatives stated that:

- Verde group has acquired a significant amount of water rights, some owned outright and some in conjunction with Dona Ana county. Sustainability issues have been studied to accommodate industrial, commercial and residential development, including coordination with the state engineer;
- Verde group anticipates donating parcels of land for the building of schools, but is still negotiating with the school districts and will look to the state for help;
- Verde group will make alliances with builders to build homes; it will own the corporate facilities;
- water and sewer are the biggest infrastructure needs and the city of Sunland Park and Dona Ana county have agreements in place for provision of these services. Verde group is developing a master plan for requirements and options for water and sewer;
- it will take many funding sources, including the Verde group, to pay for needed water and sewer; and
- development will generate significant tax revenues for the proposed schools to function, but Verde group will be working closely with school districts and developing schools gradually, starting with village one.

Committee members expressed a lot of concern over funding for proposed schools, stating that schools have trouble affording to build or maintain what already exists



and that these new schools could very well be a burden on the state budget, and urged the Verde group to be sure its evaluation procedures are thorough.

Edgar Lopez, a real estate developer who is also on the board of the border authority, assured the committee that the Verde group is one of the finest development groups that has been in the area and that the revenues it will generate from its development will cover what it is proposing. He added that the border authority represents much more than simply the Santa Teresa area and that the authority could certainly handle legislative appropriations for infrastructure needs along the border. Jaime Campos, executive director of the border authority, added that the border authority and the Verde group are working well together and that federal money for the rail relocation project, along with much support, have made many investors interested in the area. He said that the area needs not only jobs, but a way to attract people.

#### **Border Tour: Development, Customs and Crossings**

The border authority and Verde group led the committee on a tour of the border area around Sunland Park and Santa Teresa, featuring land to be developed, existing industry in the area, the Verde group's bi-national park, housing already in place, the railroad running through Santa Teresa and the border crossing and cattle crossing at Santa Teresa. The committee viewed firsthand the radioactive truck inspection system and customs procedures at the Santa Teresa port of entry and learned that 250,000 head of cattle cross the border each year after being thoroughly inspected at the U.S. customs-certified facility owned by the Chihuahua cattle union.

#### **Border Authority: Vision, Trade and Traffic, Infrastructure**

The border authority reported an expectation for rapid growth at Santa Teresa because of Verde group development and a rebounding maquiladora industry, both supported by the good working relationships that exist between the authority and government agencies in the U.S. and Mexico. The border authority sees its vision as one of using the border as a platform to create a new level of economic activity that includes new jobs and opportunities for New Mexicans. The authority reports that it

must develop a strategic plan for border development; infrastructure and port-of-entry operations are key; and any plan has to take both sides of the border into consideration, with full cooperation at all levels of government in both the U.S. and Mexico.

Mr. Campos outlined the ways in which commercial trade has increased at New Mexico's ports of entry. He said the border authority is in the final stages of dealing with the Mexican government to get connecting points for trade in Columbus. He added that the parking area at Columbus is being expanded with money received through the legislative capital outlay process. (See the border authority's report for details on trade and traffic increases and decreases and further border infrastructure improvements.)

Mr. Campos spoke of the border authority's statutory authorization to issue revenue bonds and borrow money for projects, but said that the authority has never done so. Such projects would have to provide a secure revenue stream, he added, and the issuance costs for small projects are high. Mr. Campos said that federal help is often needed for border infrastructure and that most of the buildings on the border are built on a spec basis. He stated that the border authority would be interested in financing through the NMFA rather than issuing bonds itself because the bond rating for the border authority may be poor, whereas NMFA is established. The border authority would like its projects to be placed on the public project revolving fund authorization list. In response to a question about the income stream for potential loans from NMFA, Mr. Campos indicated that user fees from the trucking industry would likely provide the income stream, and that the Verde group would be a partner in assisting with financing options as well.

Rachel Garcia-Banegas, deputy director of the border authority, reported on promotion efforts being made by the authority, including tourism department billboards to direct people to the ports of entry, brochures at visitors' centers, participation in trade shows, media promotion and the border authority's web site at [www.nmborder.com](http://www.nmborder.com). She also mentioned a map that was produced for chili growers that shows a more expeditious route through the Santa Teresa port of entry to help

truckers reduce their crossing time by two hours. Jim Creek, projects manager of the border authority, added that this is significant because approximately one-third of the chili processed in New Mexico actually comes from Chihuahua. In response to a question about where the funding came from for all the border promotion projects, Ms. Garcia-Banegas said the authority received a one-time federal relief grant, which has now been exhausted, so many of the promotion projects cannot continue. Senator Rawson mentioned that the local delegation of legislators put its efforts together to come up with the needed capital outlay money for the border authority's new building. Mr. Campos remarked that the authority hopes to break ground next year on a seven-acre parcel east of its current location. Mr. Creek indicated that the authority received \$434,000 from the legislature, which has not yet been spent. Senator Papen asked the authority to provide estimates for the building project as well as total costs.

Juan Massey of the trade and Mexican affairs division of the economic development department gave details of an upcoming meeting of the New Mexico-Chihuahua commission, which will focus on tourism, trade and industrial promotion, border crossing and infrastructure, water and environmental issues, dignity and hospitality issues and border security. Mr. Massey said that the maquiladora supplier program is one of the main responsibilities of his office, which consists of recruiting U.S. and foreign corporations that export goods to maquiladoras in Juarez to establish their businesses in New Mexico. He reported that three Electrolux suppliers have moved to New Mexico in this past year. Mr. Massey outlined the ways in which the trade and Mexican affairs division assists New Mexico businesses in creating trade opportunities with Mexico. He concluded by saying that the division and the border authority are working together to develop a twin foreign trade zone along the border to offer maquiladoras and their suppliers a healthy competitiveness and more opportunities along the border. He also said that the division works consistently with other state agencies and holds teleconferences with Mexican local, state and federal agencies.

**Tuesday, September 27**

The minutes of the August 22-23 meeting in Ruidoso were unanimously approved by the committee.

### **Behavioral Health Capital Fund: NMFA Report**

Mark Valenzuela, director of intergovernmental relations, NMFA, spoke of the passage of Senate Bill 248 in 2004 and Senate Bill 52 in 2005. The former created the behavioral health capital fund and loan program, but without funding. The latter provided the authority to the NMFA to issue bonds against the cigarette tax revenue stream for the program; a bond of \$2.5 million was issued to capitalize this fund. He explained that the program provides funding for capital projects to eligible entities, which are defined as nonprofit behavioral health facilities that serve sick and indigent patients and have assets totaling less than \$10 million. He said there are 150 clinics that meet this definition in the state. Mr. Valenzuela added that the legislation creates a partnership between the department of health (DOH) as program administrator and NMFA as loan administrator. Further, the program provides clinics with an avenue of low-cost financing with which to improve their facilities. (See handout for a breakdown of responsibilities between NMFA and DOH.) He added that NMFA mostly does business with governmental entities and that dealing with nonprofits will be new territory. Mr. Valenzuela said that NMFA would have a detailed report to the committee by December 1 on activities with this fund.

On questions from the committee regarding the behavioral health capital fund and its administration, Mr. Valenzuela reported that:

- in relation to where the money comes from to repay these loans since patients are indigent and the entities are nonprofit, entities must pledge some portion of their income to pay off the loan. NMFA sets up coverage ratios to determine how much revenue can be used; many counties also have indigent funds;
- NMFA has had no defaults in the primary care capital fund, which is similar to the behavioral health capital fund; NMFA requires a debt reserve of 10

percent of the total project cost, which is very conservative, and provides entities with ongoing support;

- for-profit entities are not part of the Primary Health Care Act, after which this fund was modeled after; a certain percentage of the population served has to be indigent; and for-profits may not fall under the \$10 million in asset requirement;\*
- NMFA will work with DOH to review potential federal funding for this program;
- the revenue stream to this fund will decrease at a rate of three percent every year it exists;
- the cigarette tax distribution that NMFA receives has been used for the UNM cancer center and law school and the behavioral health capital fund; and
- NMFA makes sure that UNM has enough money to pay back its debt before that money reverts to the general fund on a monthly basis.

\*(Mark Valenzuela was asked by Senator Papen to further research the exclusion of for-profits in the funding through the behavioral health capital fund.)

A big check presentation was made by NMFA for the behavioral health capital fund.

### **Child Care Facility Revolving Loan Fund**

Nina Johnson and Loretta Lucero of the children, youth and families department (CYFD) reviewed the enactment of Senate Bill 358 in 2003, which created a partnership between NMFA and CYFD to provide low-cost financing for capital projects for for-profit licensed child care facilities. Ms. Johnson said that the funding comes from a federal fiscal relief program, which allocated \$250,000 to the fund. Loans made from the fund will be in the \$5,000 to \$20,000 range, and no more than 20 percent of the current fund balance may be loaned to a single provider in a single loan. Ms. Johnson also reviewed the priorities for loans to facilities and acceptable improvements that can be made (see handout for details).

In response to questions from the committee, CYFD representatives stated the following:

- centers that receive loans must be licensed for at least three years;
- in the quality rating system established by CYFD, which rates child care programs on five levels, by July 2006 centers must be at a minimum of level 2 to receive assistance;
- child care centers seeking improvements can seek funding for improvements that would allow them to keep up with licensing requirements or upgrade the center to include meal service, for example; and
- CYFD adheres to the strictest regulations in place.

Legislators expressed concern that the program be developed without a geographic bias so that much of the state's rural areas are considered, and asked CYFD representatives to take this message back to CYFD and report back to the legislative finance committee on this issue.

Senator Rawson brought up a question regarding how much of the governmental gross receipts tax (GGRT) distribution that NMFA receives is bonded or available. He added that many municipalities have to charge GGRT on utility bills and that this revenue will necessarily increase as utilities increase. He went on to question if there is any possibility of reducing the rate on the GGRT. Bill Sisneros, executive director of NMFA, remarked that the system is quite clear on the GGRT and that legislation did not create a ceiling amount with the remainder earmarked for something else. He went on to say that the agreement in place with the bond purchaser is a legal document that clearly spells out the obligations of the revenue stream; New Mexico continues to receive improved ratings because of the use of the GGRT as backup insurance on bonds. He added that changing this system now would be technically classified as a default, but that he would research how language could be amended to add a ceiling amount and to pledge the remainder as a credit enhancement without jeopardizing the funds.

The committee adjourned at 10:55 a.m.

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**MINUTES**  
**of the**  
**FIFTH MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**November 1-2, 2005**  
**Room 322, State Capitol**

The fifth meeting of the New Mexico finance authority (NMFA) oversight committee for the 2005 interim was called to order by Representative Daniel P. Silva, chair, at 9:45 a.m. in room 322 of the state capitol in Santa Fe.

**Present**

Rep. Daniel P. Silva, chair  
Sen. Mary Kay Papen, vice chair (11/2)  
Sen. Joseph J. Carraro (11/2)  
Sen. Clinton D. Harden, Jr.  
Rep. Dona G. Irwin  
Rep. Patricia A. Lundstrom  
Rep. Jane E. Powdrell-Culbert  
Sen. Lidio G. Rainaldi  
Sen. Nancy Rodriguez  
Rep. Henry Kiki Saavedra  
Sen. H. Diane Snyder (11/1)  
Rep. Joe M Stell  
Rep. Don L. Tripp  
Rep. Richard D. Vigil

**Advisory Members**

Rep. Jose A. Campos

**Absent**

Rep. Daniel R. Foley  
Sen. Shannon Robinson

Rep. Ernest H. Chavez

Rep. Anna M. Crook



Sen. Dianna J. Duran  
Rep. Mary Helen Garcia  
Sen. Mary Jane M. Garcia  
Rep. Roberto "Bobby" J. Gonzales  
Rep. Ben Lujan  
Sen. Richard C. Martinez (11/1)  
Sen. Leonard Lee Rawson (11/1)  
Rep. Harriet I. Ruiz  
Rep. Edward C. Sandoval  
Rep. Sheryl Williams Stapleton  
Rep. Luciano "Lucky" Varela

Sen. Vernon D. Asbill  
Sen. Pete Campos  
Sen. Kent L. Cravens  
Sen. Joseph A. Fidel  
Sen. Stuart Ingle  
Sen. Steven P. Neville

Sen. Ben D. Altamirano

(Attendance dates are noted for members not present for the entire meeting.)

**Staff**

Cleo Griffith  
Kathleen Dexter

**Guests**

The guest list is in the meeting file.

Copies of all handouts and written testimony are in the meeting file.

**Tuesday, November 1**

**GRIP and GRIP 2 Updates: Project Selection and Financing Details**

Rhonda Fought, secretary of transportation, and Mark Valenzuela, NMFA director of government affairs, gave a presentation on GRIP and GRIP 2 projects and financing.

All 26 GRIP projects are currently under development for a total value of \$333 million in contracts, \$323 million of which were awarded to New Mexico contractors. As a result of outreach meetings held earlier this year with local and tribal governments, the department of transportation (DOT) has compiled a list of 125 high-priority transportation projects totaling \$637 million to be included in GRIP 2 over the next five years. Financing for GRIP and GRIP 2 is comprised of \$1.585 billion in bonds issued over a six-year period, with the state's annual debt payment projected at approximately \$162 million. On questioning from the committee, the presenters stated that:

- the current decline in revenue from the gasoline tax has not affected the state's bonding capacity because trip tax revenue has increased; however, DOT has adjusted its revenue projections due to the gasoline tax decline;
- transportation projects on the Navajo Nation cannot proceed until rights of way are settled, and DOT is having difficulty getting the projects through the tribal government;
- projects for GRIP 2 were identified and prioritized by local government entities and submitted directly to DOT;
- DOT is developing a statewide transportation plan that includes bus service in rural areas;
- 95 percent of roads in the state are rated in "good condition"; and
- when designating a project as "high priority", economic development potential consists of approximately 75 percent of that designation.

In general discussion, committee members noted that local governments might be mentioning different priorities to DOT and to legislators; the standard of "deficient road" changes over time; and transportation projects should address the needs of existing communities, not just growth.

#### **Federal Legislation Report: Transportation Bill and Driver's License Legislation**

Cheye Calvo, national conference of state legislatures (NCSL) transportation committee director, gave presentations on the federal Safe, Accountable, Flexible and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) and the federal REAL ID Act of 2005 (REAL ID). Under SAFETEA-LU, \$1.76 billion in highway funding is allotted to New Mexico over the next five years, an increase of more than 30 percent over past federal funding and the sixth-highest increase among all the states. NCSL cautions that the balance in the trust fund behind SAFETEA-LU is dropping as high gasoline prices force consumers to use less gasoline, and there is a possibility that the fund will run short as early as 2008. Under REAL ID, states have until May 2008 to issue new driver's licenses that conform to federal standards for validation of all identification source documents; production of licenses; verification of immigration status; security and fraud prevention; and data retention and sharing. The changes required at the state level are substantial and, in Mr. Calvo's assessment, not possible before the 2008 deadline. He recommends that states pressure their congressional delegations to amend the law to make compliance possible.

On questioning from the committee, Mr. Calvo, who was joined by Ms. Faught, stated that:

- it took several years for SAFETEA-LU to pass in part because the original senate and house versions exceeded the dollar amount the president was willing to sign;
- while New Mexico receives approximately \$1.07 in federal highway money for every state dollar, it receives only \$.46 in federal transit money per state dollar;
- earmarked projects are counted against each state's federal funding share;
- some non-border states got money for border infrastructure because they have "border corridors";
- New Mexico does not have statutory authority to toll highways;

- there was no senate debate on REAL ID because the act was amended into a bill in conference committee;
- airport iris identification systems are offered as a convenience for travelers; these systems and the military ID system are not part of REAL ID;
- REAL ID includes three licenses — regular, temporary and non-conforming — and a license from one state is suspended when a person moves to another state; a person who is not a U.S. citizen may obtain a license, though only U.S. documents may be used for identity verification under REAL ID; and
- \$6 million is available now to help states implement REAL ID, with \$34 million available in the future for pilot programs.

In general discussion, committee members noted that New Mexico needs to have representation on the federal transportation committee in order to get better funding.

## **New Markets Tax Credit**

Mr. Valenzuela and Dora C de Baca, NMFA human resource and special projects director, gave a presentation on the federal new markets tax credit program. Under the program, a private investor that invests in a business in a low-income area of the state qualifies for a federal tax credit of 39 percent distributed over a seven-year period. NMFA has applied to become a community development entity, which is the body that receives the investments, makes loans to qualifying businesses and receives and distributes the tax credits. On questioning from the committee, the presenters stated that:

- if NMFA is approved as a community development entity, the entity would be set up as a separate nonprofit organization and would be audited separately, and its service area would be the entire state; NMFA does not yet have statutory authority to become a community development entity but will propose legislation for the upcoming session;
- the most successful new market tax credit endeavors have been in real estate development;
- \$3.5 billion in tax credits are available this year, and NMFA has requested an allocation of \$100 million; and
- housing projects are not eligible for the new markets tax credit program because other federal money is available for these projects, and luxury facilities such as golf courses, resorts and casinos are also ineligible.

In general discussion, members debated whether it would be better for NMFA to partner with existing community development entities around the state rather than compete with them. Mr. Valenzuela agreed that NMFA could contract with these entities.

## **Water and Wastewater Project Funding, Prioritization and Uniform Funding Application**

Richard Rose, department of environment (NMED) construction programs bureau chief, and Robert Apodaca, department of finance and administration capital outlay unit director, gave a presentation on water and wastewater project funding and prioritization. Funding requests for water and wastewater projects submitted through the infrastructure capital improvement plan (ICIP) total nearly \$400 million for fiscal year 2007 alone and \$2.5 billion over the next five years, an amount that includes \$18 million for the Pecos river lawsuit settlement. NMED is developing a uniform funding application that will allow the department to direct each project to private, federal and local sources for initial funding and delay requests for capital outlay money until a project nears completion. On questioning from the committee, the presenters stated that:

- projects that have not undergone preliminary engineering are directed to funding sources that cover planning;
- approximately 90 percent of tribal requests for water and wastewater project funding are going through the ICIP process;
- NMED will propose amendments to the Sanitary Projects Act in the upcoming session to mandate that water and wastewater rates cover full operating costs, including maintenance and replacement costs, and to either create incentives for or mandate regionalization of water and wastewater systems;
- NMED will begin collecting data on connection charges in its 2006 survey; and
- the initial ICIP included only projects submitted by municipalities and counties, but other entities, such as soil and water conservation districts, are now submitting as well.

In general discussion, committee members cited a need for legislative input into the ICIP prioritization process because they hear directly from constituents about needs within their districts, and they noted that local governments should use their entire bonding capacity before requesting infrastructure funding from the state.

## **Water and Wastewater Project Grant Fund Status Report**

Tony Duran, NMFA financial advisor, gave a status report on the water and wastewater project grant fund, which received no funding in the past three years. Since the fund was initially authorized in 2000, 151 projects have been completed, 21 projects are in progress and nearly \$400 million in project applications are pending. The entire \$8.5 million balance remaining in the fund is committed to current projects, and if the legislature appropriates more money to the fund, projects in progress will be given priority over new projects. On questioning from the committee, Mr. Duran stated that extensions are sometimes granted to projects because they have not yet met readiness-to-proceed requirements; and applications are kept active for three years, after which they must be renewed and revised.

## **Committee Business**

On motion duly made, seconded and adopted without objection, the minutes to the September 26-27, 2005 meeting were approved as written. The committee recessed at 4:55 p.m.

## **Wednesday, November 2**

The committee reconvened at 9:10 a.m.

## **Governmental Gross Receipts Tax Distribution for State Parks and Youth**

### **Conservation Corps**

David Simon, director of the state parks division (SPD) of the energy, minerals and natural resources department, gave a presentation on SPD expenditures of the governmental gross receipts tax (GGRT) appropriated for state park improvements. Since the revenue stream was first established in 1995, SPD has received \$46 million in GGRT revenue and has leveraged an additional \$8 million in federal funds. SPD receives approximately \$3.3 million per year from the GGRT, with \$2 million allocated to outstanding bonds and the balance to new state park projects. With the addition of two new state parks and increasing costs on all projects, Mr. Simon

estimates that there are still more than \$24 million in outstanding capital outlay needs in the state park system. On questioning from the committee, Mr. Simon stated that:

- SPD is not equipped to take over maintenance responsibilities for rest areas around the state, though the division might consider a pilot project with rest areas near state parks;
- SPD has bonded to its full capacity;
- SPD does its design, development and engineering in-house, contracts for architect and electrical engineering services and contracts for all large construction projects;
- despite the fee increase enacted in 2004, there was a nine percent increase in visitors in 2005 after six years of decline, and the increase in park usage was seen across 80 percent of the parks in the system; fees are set in the middle of the range for parks nationwide in order to keep them affordable for New Mexico residents;
- SPD has liability insurance to cover incidents such as the one in which a park ranger fatally shot a camper at Elephant Butte lake state park in August;
- most vandalism at state parks involves destruction of the fee collection boxes;
- park fees currently go into a pooled fund for use at all parks, though SPD is putting more emphasis on using the revenue where it is generated;
- while 17 state parks are water-based, allocating water to recreational purposes to maintain lake water levels is the lowest priority for the state engineer and interstate stream commission;
- SPD generates approximately 18 percent of its annual budget, or \$3.7 million, through user fees and concessions;
- 50 percent of state park visitors come from out of state;
- SPD built and operates its own water and wastewater treatment plant at Heron lake because there is no local entity to provide the service; and
- SPD is working with the tourism department to install state park information kiosks in all welcome centers.



Members discussed specific park projects around the state, including Red Rock park, which is currently owned and operated by the city of Gallup. The city approached the state about turning the park over to SPD and Governor Richardson has declared his support for the effort; however, the city has now withdrawn its request and is pursuing capital outlay funds to improve the facility.

Stewart Farley, chair of the youth conservation corps (YCC) commission, and Wendy Kent, YCC executive director, gave an overview of the corps and the projects that it funds around the state with the \$3 million it receives annually in GGRT revenue. The YCC receives twice as many project proposals as it can fund each year, and the proposals are scored and ranked with extra points given to projects that have not received YCC funding in the past. Project employees must be 14 to 25 years old, and workers earn from \$6.00 to \$8.00 per hour. While there is no requirement that a project employ at-risk youth, many projects are designed for this population. On questioning from the committee, the presenters stated that:

- YCC issues an annual RFP and mails out nearly 1,000 solicitations to school districts, counties, municipalities, nonprofit organizations and individuals who have expressed interest in submitting proposals;
- grants are given for summer, seasonal and residential programs, with seasonal programs designed to last six months and aimed at older workers;
- some counties have no projects because no proposals have been submitted;
- funding is split 50-50 between urban and rural projects; and
- YCC does not pay for employee certification, though it does encourage participants to obtain certification for future jobs.

#### **Rules Changes for Public Project Revolving Fund, Local Government Planning Fund and SMART Money**

Marquita Russel, NMFA chief of programs, gave a presentation on rules changes in the public project revolving fund, local government planning fund and SMART money programs. Rules changes for the public project revolving fund are aimed at streamlining the application processes and conforming the rules to existing practices. On motion duly made, seconded and adopted, the proposed rules were approved with the change that the secretaries of environment, economic development and energy, minerals and natural resources may request project authorizations on behalf of underlying entities. Rules changes for the local government planning fund are required to conform to changes made in statute during the 2005 regular legislative session regarding project eligibility and loan forgiveness. Speaker of the House Ben Lujan temporarily appointed Representatives Crook and Gonzales as voting members to obtain a quorum, and on motion duly made, seconded and adopted without objection, rules changes for the local government planning fund and new rules for the SMART money program were approved as proposed. NMFA was directed to submit periodic reports to the oversight committee regarding the SMART money program.

### **Issues Raised During Interim**

Mr. Valenzuela distributed written answers to questions raised during the interim regarding the GRIP investment portfolio contract with Ryan labs, fiscal impacts of not providing matching funds for water and wastewater projects, whether charter schools qualify for the public project revolving fund and the state's bond rating.

The committee adjourned at 12:20 p.m.

**MINUTES**  
**of the**  
**SIXTH MEETING**  
**of the**  
**NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**November 21-22, 2005**  
**Room 322, State Capitol**  
**Santa Fe**

The sixth meeting of the New Mexico finance authority (NMFA) oversight committee for the 2005 interim was called to order by Senator Mary Kay Papen, vice chair, at 10:25 a.m. in room 322 of the state capitol.

**Present**

Rep. Daniel P. Silva, chair  
Sen. Mary Kay Papen, vice chair  
Rep. Daniel R. Foley (11/21)  
Sen. Clinton D. Harden, Jr. (11/22)  
Rep. Patricia A. Lundstrom  
Rep. Jane E. Powdrell-Culbert  
Sen. Nancy Rodriguez  
Rep. Henry Kiki Saavedra  
Sen. H. Diane Snyder  
Rep. Joe M Stell  
Rep. Richard D. Vigil

Sen. Dianna J. Duran  
Rep. Roberto "Bobby" J. Gonzales  
Rep. Ben Lujan  
Sen. Richard C. Martinez (11/22)  
Sen. Leonard Lee Rawson (11/21)  
Rep. Harriet I. Ruiz  
Rep. Edward C. Sandoval  
Rep. Sheryl Williams Stapleton  
Rep. Luciano "Lucky" Varela

**Advisory Members**

Rep. Jose A. Campos  
Rep. Anna M. Crook

**Absent**

Sen. Joseph J. Carraro

Rep. Dona G. Irwin

Sen. Lidio G. Rainaldi

Sen. Shannon Robinson

Rep. Don L. Tripp

Sen. Ben D. Altamirano

Sen. Vernon D. Asbill

Sen. Pete Campos

Rep. Ernest H. Chavez

Sen. Kent L. Cravens

Sen. Joseph A. Fidel

Rep. Mary Helen Garcia

Sen. Mary Jane M. Garcia

Sen. Stuart Ingle

Sen. Steven P. Neville

(Attendance dates are noted for members not present for the entire meeting.)

**Staff**

Renée Gregorio

Kathleen Dexter

Cleo Griffith

**Guests**

The guest list is in the meeting file.

Copies of all handouts and written testimony are in the meeting file.

**Monday, November 21*****Criteria for Water System Planning, Performance and Conservation for State Financing:******A Response to House Joint Memorial (HJM) 86***

In response to HJM 86, which requested that the state engineer collaborate with other departments to develop criteria for water system planning, performance and conservation as a condition of state financing, John D'Antonio, state engineer, and Anne Watkins, special assistant to the state engineer, presented their findings to the committee. Ms. Watkins reported that there are 650 public water systems in New Mexico, most of which serve fewer than 500 customers. In the map of public water systems shown, she pointed out that many are contiguous and overlapping and draw from the same aquifer. She added that challenges to the existing water systems arise for many reasons: aging infrastructure, limited expansion capability, volunteer boards, limited funding, lack of water rights and lack of funding for improvements. She indicated that most emergencies that crop up are due to inadequate systems; the drought task force was organized to look at such emergencies. Ms. Watkins spoke of the water infrastructure investment team that was set up by the governor to look at policy issues and procedural changes needed before more emergencies arise. She delineated 10 criteria set forth by the team, including financial and asset management planning, a water accounting system to help with conservation, compliance with various federal and state regulations, planning for infrastructure improvements and

operations, regional collaboration and a strategy for energy efficiency. Ms. Watkins then reviewed the 10 recommendations made by the team, which include setting standards, revising statutes, improving project planning, metering all water use, establishing a state planning entity and creating community college training programs to ensure qualified staff for water systems. She ended by admitting the hugeness of the task at hand, but also its necessity in protecting the vitality of the state, protecting public health and supporting economic development.

In response to questions from committee members, Ms. Watkins and Mr. D'Antonio, who were also joined by Richard Rose, bureau chief, construction programs bureau, department of environment, stated:

- water infrastructure needs are estimated at \$3 billion to \$5 billion;
- the state engineer's office is working with three water systems of differing sizes and needs to develop rates, asset management plans, model plans and implementation manuals, which will be completed by June 2006;
- conditions for funding must be established as well as support for systems to comply with such conditions, which would include technical assistance and reasonable time periods;
- the facts that there are many systems without qualified operators and with quality violations has not affected federal funding to the state but has affected oversight from the environmental protection agency (EPA);
- technical advisors are available to help systems with planning and regionalization;
- ideally there will be incentives for systems that will encourage regionalization, such as giving regional projects priority for funding;
- a uniform funding application is being worked on and encouraged, which would centralize funding sources so that a requesting entity would have to make only one application and be ensured that the application would reach the proper funding sources;

- the agriculture funding portion will be worked on separately, as there will be a need to transfer agricultural water rights;
- a conservation program is being designed for different users and systems that will involve water use accounting;
- regionalization refers to water systems working together in ways that include sharing the same water source, sharing administration and billing, sharing an operator or merging the actual system;
- the water trust board handles the larger regional water systems;
- in many areas of the state there are different kinds of systems, and collaboration is being encouraged among these systems;
- cooperation among sovereign nations, county officials, state officials and the EPA needs to be established to deal with issues of compliance in areas that cross over into several jurisdictions, and the office of the state engineer agreed to research what requirements will be put into place to ensure this;
- the memorial specifies that these conditions be established for those entities coming to the state for financing;
- much of the existing funding going to smaller water systems is for improvements that should be covered by the rate structure; thus the state is not building the kind of infrastructure to meet the demands of the new century;
- the office of the state engineer has conducted regionalization initiatives at the request of systems in Ruidoso and Ruidoso Downs, but to form a regional authority with powers to develop water and wastewater systems requires changes in statutes;
- the training proposed by the state engineer would be for certified operators in the management of water and wastewater, for which training is now very limited;
- the office of the state engineer is only making recommendations this year and would like to work with the legislature to see what is required for implementation, including technical assistance and funding; and

- there is a tremendous burden on water and wastewater systems to meet regulatory demands, and the advantage to working together is becoming clearer to all involved.

The committee expressed overall support of the work being conducted by the office of the state engineer. Ms. Watkins assured committee members that each would receive a copy of the final report.

Bill Sisneros, executive director of NMFA, stated that although NMFA agrees with many components of the proposals presented, there is a distinction between funding and financing, and details need to be worked out that support this distinction.

Mr. D'Antonio stressed that the existing statutes governing water and wastewater systems and their financing were established decades ago and are in need of revision. He introduced Judy Flynn O'Brien, interim director of the institute of public law at the university of New Mexico, who provided the committee with a comprehensive chart that covers general powers and authorities, statutory provisions, financial powers and authorities, statutory planning requirements and regulatory oversight and open government requirements of water and wastewater systems by type throughout the state. Ms. O'Brien stated that the effort of a management team, consisting of representatives from the office of the state engineer, the department of environment and the New Mexico rural water association, has been to assess what exists in statute and decide how to move forward with the goal of having sustainable water and wastewater service in the state. She added that statutes providing regulatory authority were reviewed as well as water rights and management statutes, constitutional issues and federal, state and tribal systems that exist but that are not governed by current state law. The management team identified elements that are not in statute but need to be, finding that not many statutes deal with interaction among systems; there is very little guidance in terms of governing structure to ensure a continuity of



management; there are no requirements for planning; and oversight for systems is not consistent. (See handout for more details.)

Another comprehensive chart was provided to the committee by Ms. O'Brien that covers all funding sources available for water and wastewater system improvements and includes eligible entities, available funds and a description of the application and selection processes for each.

In response to questions from committee members, Ms. O'Brien, Ms. Watkins and Mr. Rose stated:

- public bodies under the Audit Act are required to have audits, whereas utilities regulated by the public regulation commission (PRC) have their own requirements; membership-based organizations have no particular requirements; most entities are required to do annual audits, but do not; and the state auditor does not have the resources to follow up on this fact;
- in response to Representative Lundstrom strongly recommending that at least a financial review be put into place if audits are not happening, the cost of doing audits was cited at \$5,000 to \$10,000 for small systems; although a financial review could be useful, statute requires an audit; and the suggestion was made that the statute be revised; and
- systems have to be a certain size to be regulated; problems exist when entities do not have to comply with the Open Meetings Act or the PRC; and there is a need for forms of organization to be created to protect the public.

***Albuquerque-Bernalillo County Water Utility Authority (ABQ-BC WUA) Projects in the North and South Valleys***

Mark Sanchez, executive director of the ABQ-BC WUA, and Mary Murnane, water resources program manager for the valley utilities project, gave a history and overview of their respective projects. Mr. Sanchez reviewed the authority's

establishment in law two years ago as well as the bill from the 2005 regular session that gave the authority the statutory power provided to public water and wastewater utilities in the state. The authority serves the population of Bernalillo county, which is 165,000 customers, he said. The board has instructed the authority to increase its conservation efforts, he added, and it has responded by reducing unaccounted for water by one percent, saving 400 million gallons per year. Mr. Sanchez indicated that the authority has saved \$13 million in debt expenses by working with the NMFA on loans. He stated that the challenge for the authority is to continue the valley utilities project, which consists of shifting from ground- to surface-water pumping. Ms. Murnane continued by stating that the valley utilities project was started in 1999 to protect ground water from further contamination and to provide good quality drinking water and fire protection to south valley residents. The legislature committed funding for this project for 10 years; thus far the county has received \$12 million, with the next installment for \$2 million coming in December, she added. Ms. Murnane reiterated the critical importance of this state funding for the project, stating that over 5,000 service connections have been completed. The project has also received funding from other sources, including federal block grants and county gross receipts tax as well as revenue bonds sold for the project by the county.

In response to committee member questions, Ms. Murnane said:

- federal funding received at the front end of the project helped to capitalize the project, and the project has received federal funding every year, but not as much as hoped for;
- prior to the creation of the authority, the city had not contributed to the project;
- the authority has identified the project as the highest priority and collects about \$13 million per year, of which \$7 million goes to the project;
- because of rising material costs, it is estimated, for example, that a project that started as a \$300 million one now costs \$375 million;

- costs to a new customer include yard costs for lines from the street to the house: sewer is around \$2,000 to \$2,500, water is about half that for the same distance, utility expansion charge is \$1,200 for sewer and \$1,419 for water and customers can get financial assistance or pay over time with interest; and
- the authority is increasing its customer base at the rate of three percent per year, which amounts to 3,000 customers per year.

A motion to approve the minutes for the November 1-2 meeting was made and seconded; the minutes were then unanimously approved.

### ***Mesa del Sol Project***

Several parties participated in a discussion on the Mesa del Sol project, which is a development being constructed in the southern part of Albuquerque that will include residential, commercial and public education properties. Jerry King, assistant commissioner for surface resources at the state land office, stated that the state land office has leased an 11-acre plot of land to forest city enterprises for the development. Rhonda Faught, secretary of transportation, said that the department of transportation has an agreement with the city of Albuquerque regarding cost breakdowns for road improvements and expansion, which was provided to the committee. It details all funding received by the department for road projects associated with the Mesa del Sol project and includes funding sources such as severance tax bonds, general fund, state lands maintenance fund, Governor Richardson's investment partnership (GRIP) bond proceeds, surface transportation urban funds and matching funds from the city of Albuquerque. (See handout for cost breakdown.)

Committee members expressed much concern over the amount of funding going to the Mesa del Sol project, stressing that needs exist in both the south valley area of Albuquerque and the southern part of the state that are not being met. In answer to these concerns as well as others stated, Mark Daly, chief operating officer for forest city enterprises, joined Secretary Faught, Mr. King, Andres Villamonte, deputy secretary of transportation programs and infrastructure, department of transportation,

Tom Horan, lobbyist, and John Tull, deputy cabinet secretary of economic development, and stated:

- the main role of forest city enterprises in the Mesa del Sol project is to create economic development;
- under the annexation agreement between the state land office and the city of Albuquerque, all infrastructure is being paid for by a private developer;
- forest city enterprises is currently leasing the land from the state land office and will purchase it when the university of New Mexico and the state land office work out an agreement; forest city enterprises is paying \$9 million for the land; and the university of New Mexico will participate as a 15 percent partner;
- the funding for road projects related to Mesa del Sol were authorized by the legislature with the passage of the 2003 GRIP legislation;
- a diversity of housing will be built at Mesa del Sol, with a commitment to five percent being workforce housing (\$120,000 range), and architecturally the houses will be compatible and built together with no gated areas;
- proposed tax increment financing (TIF) legislation now being crafted for the revenue stabilization and tax policy committee is a tool used to create new increased value and taxable development within communities;
- the anti-donation issue should not be a problem with the project because the state's money will be spent on public infrastructure improvements;
- forest city enterprises tends to work with local developers, hire 90 percent local people and use mostly local materials, depending on cost;
- forest city enterprises identifies communities with economic development projects that are ready to implement but have a financing piece that is needed, looking at a variety of projects in terms of scale and need; and
- there is enough water to support this development, and the project is working with the ABQ-BC WUA to enter into a development agreement with the authority.

In other discussion by committee members, it was noted that much money has been put into development at Santa Teresa for economic development projects.

Representative Lundstrom requested that, in light of public scrutiny on this project, a breakdown be provided to committee members on public support for the Mesa del Sol project. Senator Snyder noted that during the course of the Mesa del Sol project there have been several land commissioners and governors and that she would like to see a comparison done by the office of the state engineer that shows the original intent of the project versus the current reality.

The committee recessed at 4:45 p.m. and reconvened at 9:30 a.m. on November 22.

## **Tuesday, November 22**

### ***NMFA Mission Statement and Values***

Mr. Sisneros gave the committee an overview of how the NMFA works with the bond market, assuring the committee that although the recent problems in the state treasurer's office have made rating agencies watchful of the state in general, the rating for NMFA was still increased from A3 to A2. Because the rating agencies look closely at the policies and practices of agencies, the NMFA created an internal team to develop a mission and value statement and to review the direction of the authority. Dora Cde Baca, human resources director at NMFA, discussed the mission statement, which is: "We are dedicated to improving the lives of New Mexicans by planning and financing infrastructure, strengthening the economy through public/private partnerships and setting the standard for superior, diverse, innovative and solution-driven financing.". She also gave details of the values as delineated by the internal team that include customer orientation, discipline, a great place to work, initiative, quality and results orientation. Mr. Sisneros added that the internal team has evolved into an implementation team now that the mission and values are set. He stressed that the fact that the NMFA has an oversight committee strengthens its position with rating agencies and with its board.

In response to questions from committee members, Mr. Sisneros stated:

- the assessment of how the stated values are being manifested among the employees of the NMFA will be done in employee performance evaluations;
- the NMFA has broken the state into five areas and given responsibility for each area to an NMFA employee so that when the NMFA receives feedback on its services in particular areas, it can locate the responsible employee, and the values will be tied into a point system for evaluation;
- the NMFA has a \$1.2 billion capacity that builds on itself and grows, chiefly because of the backing of the portion of the governmental gross receipts tax (GGRT) that flows to the NMFA and is seen as a level of security for its financing programs;
- the NMFA can help restructure debt so that entities do not default, can give a better interest rate than most agencies and offers support in terms of cost of issuance and bonds and support to communities that are otherwise underprivileged;
- collaboration between the NMFA and the office of the state engineer will be required to establish a financing partnership to deal with the large amount of money needed to protect the state's water supply through adjudication and the purchase of water rights, recognizing, as Representative Stell stated, that water will be the key to future expanded economic development in the state; and
- Bill Hume, state planning officer in the governor's office, could be a good resource in terms of a public/private partnership forming around water issues faced by the state.

In general discussion by the committee, Representative Lujan, in response to the mission statement and values presentation, mentioned that it is important to stress that the NMFA was formed as a partnership with the legislature, and coordination with the legislature needs to be in NMFA's vision statement. Senator Rodriguez asked if

mutual domestics also charge the GGRT; Mr. Sisneros was not sure and said he would check this out.

Mr. Sisneros reviewed the presentation to rating agencies given by the NMFA, a financial advisor and a lead banker on the public project revolving fund's (PPRF) subordinate lien bonds in its 2005F series. He stated that the presentation can take up to two hours per agency, and that the purpose is to reacquaint each agency with the workings of the NMFA. (See handout for details of the presentation, which include an overview of legislative support for the PPRF, the growth of the loan program, the structure and policy-based programs of the NMFA, rules development, a history of the GGRT and its relationship to the PPRF.)

In answer to questions from the committee, Mr. Sisneros and Mark Valenzuela, director of intergovernmental relations at NMFA, stated:

- institutions of higher education are qualified entities that often have a difficult time finding a proper income stream with which to pay off debt, but that the NMFA can work with to lower the overall cost of loans;
- pledged revenue is project dependent, and the NMFA looks at each community's project individually to determine appropriate revenue sources;
- the NMFA will supply the committee with the staff level and the amount of loans over the past 10 years to determine the relationship between increased business and the need for more staff;
- the NMFA receives one-quarter of one percent on every financial deal it makes, collecting about \$1 million each year in fees;
- a database management system for the NMFA is crucial, considering that every time a new loan is made, it needs to be serviced for 10 years or more; and

- the NMFA is not clear on what effect it would have on its operations if the legislature made it a state agency, but the NMFA already voluntarily complies with public finance statutes.

Mr. Valenzuela presented the legislative agenda for the NMFA, apologizing that because of the timing, the NMFA board has not yet approved the agenda. Included in the requests are the following:

- an appropriation request for \$30 million from the general fund to help carry out the provisions of amendments made to the Statewide Economic Development Finance Act that authorizes the NMFA to make, participate in and guarantee loans for economic development projects (designated the "smart money initiative" by the NMFA);
- two authorization bills, one for the "smart money initiative" and the other for the PPRF;
- a bill that amends the New Mexico Finance Authority Act to deal with the delayed repeal in the urgent economic development public project section, which sets the repeal at June 30, 2006; to allow the NMFA to participate in public/private partnerships with subsidiary organizations of qualified entities; and to change the title of "executive director" to "chief executive officer"; and
- a bill that amends the New Mexico Finance Authority Act to allow the NMFA to be authorized as a community development entity for purposes of being able to participate in the federal new markets tax credit program.

On questions from the committee, Mr. Valenzuela stated:

- the majority of companies seeking funding under the "smart money initiative" are based in New Mexico;
- the banks will market the "smart money initiative" in communities throughout the state;



- the request for a \$30 million appropriation for the initiative carries with it a reversion date of one year beyond the year it is appropriated, which puts pressure on the NMFA to create activity;
- the PPRF authorization bill begins with a small list of projects that grows to about 200 in its final form and can be amended as the committee sees fit;
- the NMFA will provide committee members with a more comprehensive listing of projects and project descriptions proposed for both the PPRF and "smart money initiative";
- the amendment to the New Mexico Finance Authority Act would allow the NMFA to more fully participate in public/private partnerships by allowing it to use credit enhancement in deals where a qualified entity has a subsidiary organization that is seeking financing, while preserving the integrity of the PPRF; and
- the amendment to the New Mexico Finance Authority Act to allow the NMFA to participate in the federal new markets tax credit program already supports what the NMFA is doing, and it feels it knows more about this arena than any other agency in the state.

In committee discussion, it was suggested that the reversion date be extended to two years for the \$30 million appropriation for the "smart money initiative".

Representative Lundstrom stressed that she would like the oversight committee to have input as the amendment to the New Mexico Finance Authority Act is crafted that would allow the NMFA to be authorized as a community development entity for purposes of being able to participate in the federal new markets tax credit program. Senator Snyder asked that projects in the authorization bills be identified more specifically so that the committee has a clearer idea of what is being funded. On motion made and seconded, the committee voted to sponsor both authorization bills.

Representative Stell made a motion to strike out language on the second bulleted item on proposal number 3 of the NMFA's legislative agenda, which originally indicated

allowing the NMFA to participate in private/public partnerships for "institutions of higher learning", which is the language that was struck. The motion was seconded and approved by the committee. Senator Snyder then expressed concern over expanding the NMFA's authority to allow a nonprofit entity to receive funding by allowing it to participate in public/private partnerships as a subsidiary organization of qualified entities; she asked for more details on this from the NMFA.

Representative Lujan mentioned that he wants to be assured that the PPRF is solid, and that this amendment would not in any way threaten or reduce the fund. The committee approved this amendment to the New Mexico Finance Authority Act in concept, with the caveat that the NMFA study what percentage would be appropriate to dedicate to loans going to subsidiary organizations of qualified entities.

Because the oversight committee will be needed to vote on rules changes for the NMFA that will not be crafted until January, the chair asked that the legislative council authorize a meeting on January 16, the day before the start of the legislative session. Because the proposed legislation was mainly voted on only in concept, the NMFA was also asked to present legislation in conjunction with legislative council service drafting staff in a more final form at that time.

The committee adjourned at 12:30 p.m.